95

COMPILATION OF THE HOUSENE AND COMMUNITY DEVELOPMENT

AMENDMENTS OF 150 AND 197

Public Law 95–557 SUMMARY OF THE ACT

JOINT EXPLANATORY STATEMENT OF THE MANAGERS OF THE COMMITTEE OF CONFERENCE

HOUSE REPORT 95-1161 SENATE REPORT 95-871

SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS HOUSE OF REPRESENTATIVES

95th Congress, Second Session



DECEMBER 1978

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LETTERS OF TRANSMITTAL

To the Members of the Committee on Banking, Finance and Urban Affairs:

Transmitted herewith for the use of the Committee on Banking, Finance and Urban Affairs is a compilation of the Housing and Community Development Amendments of 1978, Public Law 95-557.

This compilation is designed to provide the members in one volume the legislative history of the many important provisions contained in the Housing and Community Development Amendments of 1978.

Sincerely,

HENRY S. REUSS, Chairman.

HON. HENRY S. REUSS,

Chairman, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: Enclosed for your consideration is a compilation of the Housing and Community Development Amendments of 1978 containing the Public Law 95-557, a summary of the act, the Joint Explanatory Statement of the Managers of the Conference from House Report 95-1792, the House Committee Report 95-1161, and the Senate Committee Report 95-871. This compilation, as was that of previous Housing and Community Development Acts, is designed to meet the many requests which the committee is receiving from Members, their staffs, and the public for information and the legislative history on the provisions contained in Public Law 95-557.

Sincerely,

THOMAS LUDLOW ASHLEY, Chairman, Subcommittee on Housing and Community Development.



Public Law 95-557 95th Congress

An Act

Oct. 31, 1978 [S. 3084]

To amend and extend certain Federal laws relating to housing, community, and neighborhood development and preservation, and related programs, and for other purposes.

Housing and Community Development Amendments of 1978. 42 USC 5301 note. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

Section 1. This Act may be cited as the "Housing and Community Development Amendments of 1978".

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

REHABILITATION LOANS AND LOAN INSURANCE

42 USC 1452b.

Sec. 101. (a) Section 312 of the Housing Act of 1964 is amended—
(1) by striking out the undesignated paragraph which follows subsection (a) (3) and inserting in lieu thereof the following new

undesignated paragraph:

"The Secretary shall, in making loans under this section, give priority to applications by low- and moderate-income persons who own the property to be rehabilitated and will occupy such property upon completion of the rehabilitation, including applications by condominiums and cooperatives in which the residents are principally of low and moderate income. For the purpose of the preceding sentence, the term 'low and moderate income' means income which does not exceed 95 per centum of the median income for the area.":

(2) by striking out subsection (c)(3) and inserting in lieu

thereof the following:

Interest rate.

"(3) The loan shall bear interest at such rate as the Secretary determines to be appropriate, but not to exceed 3 per centum per annum for loans to families with adjusted incomes of not more than 80 per centum of the median income for the area. For loans to families with adjusted incomes above 80 per centum of the median income for the area, as determined by the Secretary, the Secretary may establish interest rates based on adjusted family income, ranging from above 3 per centum to a rate determined by the Secretary, but in no case may any such rate exceed the current average market yield on outstanding marketable securities of the United States with remaining periods to maturity comparable to the terms of loans made pursuant to this section, adjusted to the nearest one-eighth of 1 per centum. The Secretary may prescribe such other charges adequate in the judgment of the Secretary to cover administrative costs and possible losses under the program.";

(3) by inserting the following before the semicolon at the end of subsection (c)(4)(A): ", or if such refinancing is deemed necessary by the Secretary to minimize displacement of existing

tenants of a multifamily property";

(4) by striking out "\$50,000" in subsection (c)(4)(B) and

inserting in lieu thereof "\$100,000";

(5) by striking out "and not to exceed \$60,000,000 for the fiscal year beginning on October 1, 1977" in subsection (d) and inserting in lieu thereof "not to exceed \$60,000,000 for the fiscal year beginning on October 1, 1977, and not to exceed \$245,000,000 for the fiscal year beginning on October 1, 1978";

(6) by adding at the end of subsection (d) the following: "Of the amounts available for loans under this section during the fiscal year beginning October 1, 1978, the Secretary may utilize not more than \$60,000,000 for rehabilitation loans for multifamily

properties."; and

(7) by adding at the end thereof the following new subsection: "(i) The Secretary may not, after 270 days following the date of the enactment of this subsection, make any loan under this section with respect to any property unless the Secretary has determined that the improvements to such property, upon completion of the rehabilitation, will meet cost-effective energy conservation standards prescribed by the Secretary.".

(b) Section 312 of such Act is amended by adding at the end thereof 42 USC 1452b.

the following:

"(i) Rehabilitation loans under this section for multifamily properties shall be subject to the following additional limitations and conditions:

"(1) The property must meet the requirements of subsection

(a) and-

"(A) be located in a low- or moderate-income neighborhood: or

"(B) have a majority of tenants of low and moderate

All such loans must be consistent with an overall community development strategy developed pursuant to title I of the Housing and Community Development Act of 1974.

"(2) The property must have fewer than 100 units, except where the Secretary determines that a loan under this section is essential to meet the community development needs of a neighborhood and alternative sources of financing are not available.

"(3) The Secretary shall enter into an agreement with the investor-owner of a multifamily property which is to be rehabilitated with a loan under this section to limit, for a period of at least five years, the increased rent caused by the rehabilitation.

"(4) The Secretary shall minimize involuntary displacement caused by rehabilitation loans under this section with respect to

multifamily properties.

"(j) In conjunction with the annual report required under section 113(a) of the Housing and Community Development Act of 1974, the Secretary shall submit to the Congress a report on the rehabilitation loan program under this section. Such report shall include a summary of the use of funds under this section, particularly with regard to the types of neighborhoods and persons aided under this section, and an evaluation of progress made toward community development goals under this section. As soon as feasible, but not later than December 1, 1979, the Secretary shall submit to Congress an interim report evaluating the use of funds under this section for multifamily properties, with legislative recommendations for improving the overall effectiveness of Federal assistance for the rehabilitation of multifamily properties.

(c) (1) Section 203(k) of the National Housing Act is amended to 12 USC 1709.

read as follows:

42 USC 5301.

Reports to Congress. 42 USC 5313.

92 STAT. 2082

PUBLIC LAW 95-557-OCT. 31, 1978

Commitments to

insure loans.

Ante, p. 2080.

"(k) (1) The Secretary may, in order to assist in the rehabilitation of one- to four-family structures used primarily for residential purposes, insure and make commitments to insure rehabilitation louring including advances made during rehabilitation) made by financial institutious on and after 180 days following the date of the enactment of the Housing and Community Development Amendments of 1978. Such commitments to insure and such insurance shall be made upon such terms and conditions which the Secretary may prescribe and which are consistent with the provisions of subsections (b), (c), (e), (i), and (j) of this section, except as modified by the provisions of this subsection.

"(2) For the purpose of this subsection—

"Rehabilitation loan." "(A) the term 'rehabilitation loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit, made for the purpose of financing—

"(i) the rehabilitation of an existing one- to four-unit structure which will be used primarily for residential

purposes;

"(ii) the rehabilitation of such a structure and the refinancing of the outstanding indebtedness on such structure and the real property on which the structure is located; or

"(iii) the rehabilitation of such a structure and the purchase of the structure and the real property on which it is

located; and

"Rehabilitation."

Eligibility.

"(B) the term 'rehabilitation' means the improvement (including improvements designed to meet cost-effective energy conservation standards prescribed by the Secretary) or repair of a structure, or facilities in connection with a structure, and may include the provision of such sanitary or other facilities as are required by applicable codes, a community development plan, or a statewide property insurance plan to be provided by the owner or tenant of the project.

"(3) To be eligible for insurance under this subsection, a rehabilita-

tion loan shall-

"(A) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount which does not exceed, when added to any outstanding indebtedness of the borrower which is secured by the structure and the property on which it is located, the amount specified in subsection (b)(2); except that, in determining the amount of the principal obligation for purposes of this subsection, the Secretary shall establish as the appraised value of the property an amount not to exceed the sum of the estimated cost of rehabilitation and the Secretary's estimate of the value of the property before rehabilitation;

"(B) bear interest at a rate permitted by the Secretary for mortgages insured under this section; except that the Secretary may permit a higher rate of interest to be applied to the loan with respect to the period beginning with the making of the loan and ending with the completion of the rehabilitation or such earlier

time as the Secretary may determine;

"(C) be an acceptable risk, as determined by the Secretary; and "(D) comply with such other terms, conditions, and restrictions

as the Secretary may prescribe.

"(4) Any rehabilitation loan insured under this subsection may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional

amount or term which exceeds the maximum provided for in this

subsection.

"(5) All funds received and all disbursements made pursuant to the authority established by this subsection shall be credited or charged, as appropriate, to the General Insurance Fund, and insurance benefits shall be paid in cash out of such Fund or in debentures executed in the name of such Fund. Insurance benefits paid with respect to loans insured under this subsection shall be paid in accordance with paragraphs (6) and (7) of section 220(h), except that any reference to 'this subsection' in such paragraphs shall be construed as referring to this subsection.".

12 USC 1715k.

12 USC 1709.

(2) Section 203(c) of such Act is amended—

(A) by striking out "subsection (n) is" in the first proviso and inserting in lieu thereof "subsections (n) and (k) are"; and

(B) by inserting "or (k)" after "subsection (n)" the second

time it appears in such proviso.

(3) The proviso in the first sentence of section 302(b)(1) of such 12 USC 1717. Act is amended by inserting "or section 203(k)" after "title VIII" in clause (3).

12 USC 1706e.

URBAN HOMESTEADING

Sec. 102. (a) Section 810(f) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting "and the Administrator of Veterans' Affairs"

after "Secretary" the first place it appears; and

(2) by inserting "or the Administrator" after "Secretary" the second place it appears.

(b) The first sentence of section 810(g) of such Act is amended-(1) by striking out "and" immediately following "fiscal year

1977,"; and
(2) by inserting the following before the period at the end
(2) by inserting the following before the period at the end thereof: ", and not to exceed \$26,000,000 for the fiscal year 1979".

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AMENDMENTS

Sec. 103. (a) Section 104(a)(4)(A) of the Housing and Community Development Act of 1974 is amended by inserting "owners of 42 USC 5304. homes requiring rehabilitation assistance," after "large families,"

(b) Section 104(a) (4) (B) (i) of such Act is amended by inserting "including existing rental and owner occupied dwelling units to be upgraded and thereby preserved," after "existing dwelling units,"

(c) Section 104(a) of such Act is amended by inserting after "expected to reside in the community" in paragraphs (3)(C) and (4) (A) the following: "as a result of existing or projected employment opportunities in the community (and those elderly persons residing in or expected to reside in the community), or as estimated in a community accepted State or regional housing opportunity plan approved by the Secretary,".

(d) Section 104(c) of such Act is amended by adding the following

new sentence at the end thereof:

"The Secretary may not disapprove an application on the basis that such application addresses any one of the primary purposes described in paragraph (3) to a greater or lesser degree than any other, except that such application may be disapproved if the Secretary determines that the extent to which a primary purpose is addressed is plainly inappropriate to meeting the needs and objectives which are consistent with the community's efforts to achieve the primary objective of this title.".

92 STAT, 2084

PUBLIC LAW 95-557-OCT. 31, 1978

Relocation payments. 42 USC 5305. (e) Section 105(a) (11) of such Act is amended to read as follows: "(11) relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate to the community development program;".

Technical assistance. 42 USC 5307. (f) The last sentence of section 107(a) (8) of such Act is amended to read as follows: "The Secretary may also provide, directly or through contracts, technical assistance under this paragraph to such governmental units, or to a group designated by such a governmental unit for the purpose of assisting that governmental unit to carry out its Community Development Program.".

42 USC 5318.

(g) Section 119(e) of such Act is amended—

(1) by striking out "and" at the end of clause (4); (2) by striking out the period at the end of clause (5) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following:

"(6) include a statement analyzing the impact of the proposed urban development action program on the residents, particularly those of low and moderate income, of the residential neighborhood, and on the neighborhood, in which the program is to be located.".

(h) Section 119(e) of such Act is amended by inserting before "and feasibility" the following: "impact of the proposed urban development action program on the residents, particularly those of low and moderate income, of the residential neighborhood, and on the neighborhood, in which the program is to be located;".

(i) Title I of such Act is amended by adding at the end thereof the

following new section:

"FAIR PARTICIPATION FOR SMALL COMMUNITIES

42 USC 5319.

"Sec. 120. No community shall be barred from participating in any program authorized under this title solely on the basis of population, except as expressly authorized by statute.".

EFFECTIVE DATE

12 USC 1709 note.

Sec. 104. The amendments made by this title shall become effective October 1, 1978.

TITLE II—HOUSING ASSISTANCE PROGRAMS

OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY HOUSING PROJECTS

12 USC 1715z-1a. Sec. 201. (a) The purposes of this section are to provide assistance to restore or maintain the financial soundness, to assist in the improvement of the management, and to maintain the low- to moderate-income character of certain projects assisted or approved for assistance under the National Housing Act or under the Housing and Urban Development Act of 1965.

12 USC 1701 note.

(b) The Secretary of Housing and Urban Development (hereinafter referred to in this section as the "Secretary") may make available, and contract to make available, to such extent and in such amounts as may be approved in appropriation Acts, financial assistance to owners of rental or cooperative housing projects meeting the requirements of this section. Such assistance shall be made on an annual basis and in accordance with the provisions of this section.

(c) a rental or cooperative housing project is eligible for assistance

under this section only if such project-

(1) (A) is assisted under section 236 or the proviso of section 221(d)(5) of the National Housing Act, or under section 101 of the Housing and Urban Development Act of 1965; except that, in the case of any such project which is not insured under the National Housing Act such assistance may not be provided before

October 1, 1979; or

(B) met the criteria specified in subparagraph (A) of this paragraph before the acquisition of such project by the Secretary and has been sold by the Secretary, subject to a mortgage insured or held by the Secretary and subject to an agreement (in effect during the period of assistance under this section) which provides that the low- and moderate-income character of the project will be maintained; except that, with respect to projects sold after October 1, 1978, assistance shall be available for a period not to exceed three years; and

(2) meets such other requirements consistent with the purposes

of this section as the Secretary may prescribe.

(d) No assistance may be made available under this section unless

the Secretary has determined that—

(1) such assistance, when considered with other resources available to the project, is necessary and, in the determination of the Secretary, will restore or maintain the financial soundness of the project and maintain the low- and moderate-income character of the project;

(2) the assistance which could reasonably be expected to be provided over the useful life of the project will be less costly to the Federal Government than other reasonable alternatives by which the Secretary could maintain the low- and moderate-

income character of the project:

(3) the owner of the project, together with the mortgagee in the case of a project not insured under the National Housing Act, has provided or has agreed to provide assistance to the project in such manner as the Secretary may determine;

(4) the project is or can reasonably be made structurally sound. as determined on the basis of information obtained as a result of

an onsite inspection of the project;

(5) the management of the project is being conducted by persons who meet minimum levels of competency and experience

prescribed by the Secretary; and

(6) the project is being operated and managed in accordance with a management-improvement-and-operating plan which is designed to reduce the operating costs of the project, which has been approved by the Secretary, and which includes the following: (A) a detailed maintenance schedule; (B) a schedule for correcting past deficiencies in maintenance, repairs, and replacements; (C) a plan to upgrade the project to meet cost-effective energy efficiency standards prescribed by the Secretary; (D) a plan to improve financial and management control systems; (E) a detailed annual operating budget taking into account such standards for operating costs in the area as may be determined by the Secretary; and (F) such other requirements as the Secretary may determine.

(e) Prior to making assistance available to a project, the Secretary Consultation shall consult with the appropriate officials of the unit of local government in which such project is located and seek assurances that

(1) the community in which the project is located is or will provide essential services to the project in keeping with the community's general level of such services;

12 USC 1715z=1 1715a 79 Stat 451 12 USC 1761

(2) the real estate taxes on the project are or will be no greater than would be the case if the property were assessed in a manner consistent with normal property assessment procedures for the community; and

(3) assistance to the project under this section would not be

inconsistent with local plans and priorities.

(f) (1) The Secretary may, with respect to any year, provide assistanee under this section, and make commitments to provide such assistance, with respect to any project in any amount which the Secretary determines is consistent with the project's management-improvement-and-operating plan described in subsection (d)(6) and whieli does not exceed the sum of-

(A) an amount determined by the Secretary to be necessary to correct deficiencies in the project which exist at the beginning of the first year with respect to which assistance is made available for the project under this section, which were caused by the deferral of regularly scheduled maintenance and repairs or the failure to make necessary and timely replacements of equipment and other eomponents of the project, and for which payment has not previ-

ously been made;

(B) an amount determined by the Secretary to be necessary to maintain the low- and moderate-income character of the project by reducing deficiencies, which exist at the beginning of the first year with respect to which assistance is made available for the project under this section and for which payment has not previously been made, in the reserve funds established by the project owner for the purpose of replacing capital items; and

(C) an amount not greater than the amount by which the estimated operating expenses (as described in paragraph (2) of this subsection) for the year with respect to which such assistance is made available exceeds the estimated revenues to be received (as described in paragraph (2) of this subsection) by the project

during such year.

(2) The estimated revenues for any project under paragraph (1) (C) of this subsection with respect to any year shall be equal to the sum of-

(A) the estimated amount of rent which is to be expended by the tenants of such project during such year, as determined by the Secretary without regard to section 236(f)(1) of the National Housing Act:

(B) the estimated amount of rental assistance payments to be made on behalf of such tenants during such year, other than assist-

ance made under this section;

(C) the estimated amount of assistance payments to be made on behalf of the owner of such project under section 221(d)(5) or section 236 of the National Housing Act during such year; and

(D) other income attributable to the project as determined by the Secretary;

except that-

(E) in computing the estimated amount of rent to be expended by tenants, the Secretary shall provide that (i) at least 25 percent (or such lesser percentage as is provided for under any other Federal housing assistance program in which such tenant is participating) of the income of each such tenant is included, or (ii) in the ease of a tenant paying his or her own utilities, a percentage of income which is less than 25 percent and which takes into account the reasonable costs of such utilities; except that no amount shall be provided for any tenant under clause (i) or (ii)

12 USC 1715z-1.

12 USC 1715l.

which exceeds the fair market rental charge as determined pursuant to section 236(f)(1) of the National Housing Act for such 12 USC 1715z-1.

tenant; and

(F) in computing the estimated amount of rent to be expended by tenants and the estimated amount of rental assistance payments to be made on behalf of such tenants, the Secretary may permit a delinquency-and-vacancy allowance of not more than 6 per centum of the estimated amount of such rent and payments computed without regard to such allowance; except that, with respect to the first three years in which assistance is provided to a project under this section, the Secretary may permit such allowance for such project to exceed such 6 percent by an amount which the Secretary determines is appropriate to carry out the purposes of this section.

Estimated operated expenses, computation.

For purposes of computing estimated operating expenses of any such project with respect to any year, the Secretary shall include all estimated operating costs which the Secretary determines to be necessary and consistent with the management-improvement-and-operating plan for the project for such year, including, but not limited to, taxes, utilities, maintenance and repairs (except for maintenance and repairs which should have been performed in previous years), management, insurance, debt service, and payments made by the owner for the purpose of establishing or maintaining a reserve fund for replacement costs. The Secretary may not include in such estimated operating expenses any return on the equity investment of the owner in such project.

(3) In order to carry out the purposes of this section, the Secretary may, notwithstanding the provisions of section 236(f)(1) of the National Housing Act, provide that, for purposes of establishing a rental charge under such section, there may be excluded from the computation of the cost of operating a project an amount equivalent to the amount of assistance payments made for the project under this section.

(4) Any assistance payments made pursuant to this section with respect to any project shall be made on an annual basis, payable at such intervals, but at least quarterly, as the Secretary may determine, and may be in any amount (which the Secretary determines to be consistent with the purpose of this section), except that the sum of such assistance payments for any year may not exceed the amount computed pursuant to paragraph (1) of this subsection. The Secretary shall review the operations of the project at the time of such payments to determine that such operations are consistent with the managementimprovement-and-operating plan.

Annual assistance payments.

Review.

(g) The Secretary is authorized to issue such rules and regulations Rules and as may be necessary to carry out the provisions and purposes of this regulations. section, including regulations requiring the establishment of a project reserve or such other safeguards as the Secretary determines to be necessary for the financial soundness of any project for which assistance payments are provided.

(h) There is authorized to be appropriated, for the purpose of providing financial assistance under this section, an amount (in addition to any amount appropriated for use under this section pursuant to section 236(f)(3)(B) of the National Housing Act, not to exceed \$74,000,000 for the fiscal year 1979. Any amounts appropriated under this section shall remain available until expended.

Appropriation authorization.

(i) Effective October 1, 1978, section 236 of the National Honsing Effective date. Act is amended-

12 USC 1715z-1.

 in subsection (f) (3)— (A) by inserting "(A)" after "(3)";

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(B) by striking out "The" in the second sentence and inserting in lieu thereof "For each fiscal year prior to the fiscal year 1979, the"; and

(C) by adding at the end thereof the following:

"(B) The Secretary shall ntilize amounts credited to the fund described in subsection (g) on or after October 1, 1978, for the sole purpose of carrying out the purposes of section 201 of the Housing and Community Development Amendments of 1978. No payments may be made from such fund unless approved in an appropriation Act. No amount may be so approved for any fiscal year beginning after September 30, 1979."; and

(2) by striking out the third and fourth sentences of subsection (g).

TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS

12 USC 1715z-1b. Sec. 202. (a) The purpose of this section is to recognize the importance and benefits of cooperation and participation of tenants in creating a snitable living environment in multifamily housing projects and in contributing to the successful operation of such projects, including their good physical condition, proper maintenance, security, energy efficiency, and control of operating costs. For the purpose of this section, the term "multifamily honsing project" means a project which is eligible for assistance as described in section 201 (c) of this Act.

"Multifamily housing project."

(b) The Secretary shall assure that—

(1) where the Secretary's written approval is required with respect to an owner's action and the Secretary deems it appropriate, tenants have adequate notice of, reasonable access to relevant information about, and an opportunity to comment on such actions (and in the case of a project owned by the Secretary, any proposed disposition of the project) and that such comments are taken into consideration by the Secretary;

(2) project owners not interfere with the efforts of tenants to

obtain rent subsidies or other public assistance;

(3) leases approved by the Secretary provide that tenants may not be evicted without good cause or without adequate notice of the reasons therefor and do not contain unreasonable terms and conditions; and

(4) project owners do not impede the reasonable efforts of resident tenant organizations to represent their members or the rea-

sonable efforts of tenants to organize.

(c) The Secretary shall promulgate regulations to carry out the provisions of this section not later than 90 days after the date of enactment of this Act.

MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY HOUSING PROJECTS

12 USC 1701z-11.

Regulations.

Sec. 203. (a) It is the policy of the United States that the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall manage and dispose of multifamily housing projects which are owned by the Secretary in a manner consistent with the National Housing Act and this section. The purpose of the property management and disposition program of the Department of Housing and Urban Development shall be to manage and dispose of projects in a manner which will protect the financial interests of the Federal Government and be less costly to the Federal Government

12 USC 1701

than other reasonable alternatives by which the Secretary can further the goals of--

(1) preserving the housing units so that they can remain available to and affordable by low- and moderate-income families; (2) preserving and revitalizing residential neighborhoods;

(3) maintaining the existing housing stock in a decent, safe, and sanitary condition;

(4) unnimizing the involuntary displacement of tenants; and

(5) minimizing the need to demolish projects.

The Secretary, in determining the manner by which a project shall be managed or disposed of, may balance competing goals relating to individual projects in a manner which will further the achievement of the overall purpose of this section.

(b) The Secretary is authorized, in carrying out this section

(1) to dispose of a multifamily housing project owned by the Secretary on a negotiated, competitive bid, or other basis, on such terms as the Secretary deems appropriate considering the low and moderate-income character of the project and the requirements of subsection (a) of this section, to a purchaser determined by the Secretary to be capable of (A) satisfying the conditions of the disposition; (B) implementing a sound financial and physical management program; (C) responding to the needs of the tenants and working cooperatively with resident organizations; (D) providing adequate organizational, staff and financial resources to the project; and (E) meeting such other requirements as the Secretary may determine; and

(2) to contract for management services for a multifamily housing project, owned by the Secretary, on a negotiated, competitive bid, or other basis at a price determined by the Secretary to be reasonable, with a manager the Secretary has determined as eapable of (A) implementing a sound financial and physical management program, (B) responding to the needs of the ten ants and working cooperatively with resident organizations, (C) providing adequate organizational, staff, and other resources to implement a management program determined by the Secretary, and (D) meeting such other requirements as the Secretary may

determine.

(c) Except where the Secretary has determined on a case by case basis that it would be clearly inappropriate, given the manner by which an individual project is to be managed or disposed of pursuant to subsection (a) of this section, the Secretary shall seek to

(1) maintain all occupied multifamily housing projects owned by the Secretary in a decent, safe, and sanitary condition; and

(2) to the greatest extent possible, maintain full occupancy in

all multifamily housing projects owned by the Secretary (d) (1) Whenever tenants will be displaced as a result of the disposition of, or repairs to, a multifamily housing project owned by the Secretary, the Secretary shall identify towards who will be displaced.

and shall notify all such tenants of their pending displacement and of any relocation assistance which may be available.

(2) The Secretary shall seek to assure the maximum opportunity

(2) The Secretary shall seek to assure the maximum opportunity for any such tenant—

(A) to return, whenever possible, to a repaired mut,

(B) to occupy a unit in another multifamily howing project owned by the Secretary;

(C) to obtain housing assistance under the United States Housing Act of 1937; or

lenam displacement metification

42.1 % 14%

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(D) to receive any other available relocation assistance as the

Secretary determines to be appropriate.

(e) Notwithstanding any other provision of law, whenever the Secretary is requested to accept assignment of a mortgage insured by the Secretary which covers a multifamily housing project, and the Secretary determines that partial payment would be less costly to the Federal Government than other reasonable alternatives for maintaining the low- and moderate-income character of the project, the Secretary may request the mortgagee in lieu of assignment, to accept partial payment of the claim under the mortgage insurance contract and to recast the mortgage, under such terms and conditions as the Secretary may determine. As a condition to a partial claim payment under this section, the mortgagor shall agree to repay to the Secretary the amount of such payment and such obligation shall be secured by a second mortgage on the property on such terms and conditions as the Secretary may determine.

(f) For the purpose of this section, the term "multifamily housing project" means a multifamily project which is, or prior to acquisition by the Secretary was, assisted under section 236, the proviso of section 221(d)(5) of the National Housing Act, or section 101 of the Housing and Urban Development Act of 1965, and which is insured under the

National Housing Act.

(g) The Secretary shall issue such rules and regulations as may be necessary to carry out the provisions of this section within 90 days after the date of enactment of this Act.

HOUSING ACCESS

12 USC 1701z-12.

"Multifamily housing project."

12 USC 1715z-1.

12 USC 1715l.

12 USC 1701 note.

Rules and regulations.

> SEC. 204. The Secretary shall require any purchaser of a multifamily housing project owned by the Secretary which is sold on or after October 1, 1978, to agree not to refuse unreasonably to lease a vacant dwelling unit in the project which rents for an amount not greater than the fair market rent for a comparable unit in the area as determined by the Secretary under section 8 of the United States Housing Act of 1937 to a holder of a certificate of eligibility under that section solely because of such prospective tenant's status as a certificate holder.

42 USC 1437f.

HOUSING FOR THE HANDICAPPED

12 USC 1701q.

Sec. 205. (a) Section 202 of the Housing Act of 1959 is amended by adding at the end thereof the following new subsection:

"(h) Of the amounts made available in appropriation Acts for loans pursuant to subsection (a) (4) (C) for the fiscal year commencing on October 1, 1978, not less than \$50,000,000 shall be available for loans for the development of rental housing and related facilities specifically designed to meet the needs of handicapped (primarily nonelderly) persons. The Secretary shall take such steps as may be necessary to assure that-

"(1) funds made available pursuant to this subsection will be used to support innovative methods of meeting the needs of handicapped persons by providing a variety of housing options, ranging from small group homes to independent living complexes; and

(2) housing and related facilities assisted under this subsection will provide handicapped persons occupying units within such housing with an assured range of services specified under subsection (f) and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access by such persons to the community at large and to suitable employment opportunities within such community.".

(b) The second sentence of section 202(a)(4)(C) of such Act is 12 USC 1701q. amended-

(1) by striking out "in any fiscal year" immediately after "under this section"; and

(2) by striking out "for such year" immediately after "author- "Corporation."

ity established"

(c) Section 202(d) (3) of such Act is amended by inserting "the cost of movables necessary to the basic operation of the project as determined by the Secretary," immediately after "related facilities,

(d) Section 202(d)(2) of such Act is amended to read as follows: "(2) The term 'corporation' means any incorporated private

institution or foundation-

"(A) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual;

"(B) which has a governing board (i) the membership of which is selected in a manner to assure that there is significant representation of the views of the community in which such project is located, and (ii) which is responsible for the operation of the housing project assisted under this section; and

"(C) which is approved by the Secretary as to financial

responsibility.".

LOW-INCOME HOUSING

Sec. 206. (a) Section 5(c) of the United States Housing Act of 1937 is amended-

(1) by striking out "and" immediately after "October 1, 1976,"

in the first sentence;

(2) by inserting immediately after "on October 1, 1977," in the first sentence the following: "and by \$1,195,043,000 on October 1, 1978":

(3) by striking out the second and fourth sentences; and

(4) by inserting "and on and after October 1, 1978," immedi-

ately after "October 1, 1976," in the third sentence.

(b) Section 5(c) of such Act is amended by inserting after the fourth sentence the following: "Of the additional authority to enter into contracts for annual contributions provided on October 1, 1978, and approved in appropriation Acts, the Secretary shall make available not less than \$50,000,000 for modernization of low-income housing projects.".

(c) Section 3(2) (D) of such Act is amended by striking out "10" 42 USC 1437a.

in the first proviso and inserting in lieu thereof "15"

(d) (1) Section 8 of such Act is amended by adding at the end 42 USC 1437f.

thereof the following new subsection:

"(i) In entering into contracts under this section with respect to Contracts. substantially rehabilitated dwelling units, the Secretary shall provide that-

"(1) the maximum monthly rent permitted for the assisted units be not greater than the amount permitted under subsection (c) or a lesser amount which the Secretary determines is appropriate taking into consideration the investment of the owner in

the assisted units and such other factors as the Secretary determines to be relevant : "(2) the assisted units be rehabilitated to a level which meets but does not exceed applicable codes and standards for decent,

safe, and sanitary housing which are prescribed by the Secretary; "(3) all the dwelling units in the housing structure in which the assisted units are located meet applicable codes and standards prescribed by the Secretary for decent, safe, and sanitary housing;

"(4) the term of any such contract does not exceed the maxi-

42 USC 1437c.

Effective date. 42 USC 1437f

42 USC 1437f.

note.

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mum term permitted under subsection (e)(1) or a shorter term which the Secretary determines is appropriate taking into consideration the amount of investment of the owner in the assisted units and such other factors as the Secretary determines to be relevant; and

"(5) the assisted units meet cost-effective energy efficiency stand-

ards prescribed by the Secretary.".

(2) The amendment made by this subsection shall become effective with respect to contracts entered into on or after 270 days following the date of enactment of this Act.

(e) Section 8(e) of such Act is amended by adding at the end

thereof the following:

"(5) For the purpose of upgrading and thereby preserving the Nation's housing stock, the Secretary is authorized to make assistance payments under this section directly or through public housing agencies pursuant to contracts with owners or prospective owners who agree to upgrade housing so as to make and keep such housing decent, safe, and sanitary through upgrading which involves less than substantial rehabilitation, as such upgrading and rehabilitation are defined by the Secretary. The Secretary is authorized to prescribe such terms and conditions for contracts entered into under this section pursuant to this paragraph as the Secretary determines to be necessary and appropriate, except that such terms and conditions, to the maximum extent feasible, shall be consistent with terms and conditions otherwise applicable with respect to other dwelling units assisted under this section. The Secretary is also authorized to make assistance available under this section pursuant to this paragraph to any unit in a housing project which, on an overall basis, reflects the need for such upgrading.".

(f) Section 8 of such Act is amended by adding at the end thereof

the following new subsection:

"(j) (1) The Secretary may enter into annual contributions contracts under this subsection for the purpose of assisting lower income families by making rental assistance payments with respect to real property on which is located a mobile home which is owned by any such family and utilized by such family as its principal place of residence. In carrying out this subsection, the Secretary may (Λ) enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property, or (B) enter into such contracts directly with the owners of such real property.

"(2) Contracts entered into pursuant to this subsection shall establish the maximum monthy rent (including maintenance and management charges) which the owner is entitled to receive for each space on which a mobile home is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this subsection. The provisions of subsection (c) (2) of this section shall apply to the adjustments of maximum monthly rents under this subsection.

"(3) The amount of any monthly assistance payment with respect to any family assisted under this subsection shall be the difference between 25 per centum of one-twelfth of the annual income of such

family and the sum of-

Terms and conditions.

Annual contributions contracts.

"(A) the monthly payment made by such family to amortize the cost of purchasing the mobile home;

"(B) monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

"(C) the maximum monthly rent permitted with respect to the real property which is rented by such family for the purpose of locating its mobile home;

except that in no case may such assistance exceed the total amount of such maximum monthly rent.

"(4) Each contract entered into under this subsection shall be for a term of not less than one month and not more than 180 months.

"(5) The Secretary may prescribe other terms and conditions which are necessary for the purpose of carrying out the provisions of this subsection and which are consistent with the purposes of this subsection.".

(g) Section 9(c) of such Act is amended—

(1) by striking out "and" immediately following "on or after

October 1, 1976,"; and

(2) by inserting immediately before the period at the end thereof the following: ", and not to exceed \$729,000,000 on or after October 1, 1978".

(h) The amendments made by this section, except the amendment made by subsection (d), shall become effective on October 1, 1978.

Terms and conditions.

42 USC 1437g.

Effective date. 42 USC 1437c note.

PUBLIC HOUSING SECURITY

Sec. 207. (a) This section may be cited as the "Public Housing Security Demonstration Act of 1978".

(b) (1) The Congress finds that-

(A) low-income and elderly public housing residents of the Nation have suffered substantially from rising crime and violence, and are being threatened as a result of inadequate security arrangements for the prevention of physical violence, theft, burglary, and other crimes;

(B) older persons generally regard the fear of crime as the most serious problem in their lives, to the extent that one-fourth of all Americans over 65 voluntarily restrict their mobility

because of it;

(C) crime and the fear of crime have led some residents to move

from public housing projects;

(D) an integral part of successfully providing decent, safe, and sanitary dwellings for low-income persons is to insure that the housing is secure;

(E) local public housing authorities may have inadequate security arrangements for the prevention of crime and vandalism;

and

(F) action is needed to provide for the security of public housing residents and to preserve the Nation's investment in its public

housing stock.

(2) It is, therefore, declared to be the policy of the United States to provide for a demonstration and evaluation of effective means of mitigating crime and vandalism in public housing projects, in order to provide a safe living environment for the residents, particularly the elderly residents, of such projects.

(c) (1) The Secretary of Housing and Urban Development shall promptly initiate and carry out during the fiscal year beginning on October 1, 1978, to the extent approved in appropriation Acts, a pro-

Public Housing Security Demonstration Act of 1978. 12 USC 1701z-6

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gram for the development, demonstration, and evaluation of improved, innovative community antierime and security methods, concepts and techniques which will mitigate the level of crime in public housing

projects and their surrounding neighborhoods.

(2) In selecting public housing projects to receive assistance under this section, the Secretary shall assure that a broad spectrum of project types, locations and tenant populations are represented and shall consider at least the following: the extent of crime and vandalism currently existing in the projects; the extent, nature and quality of community anticrime efforts in the projects and surrounding areas; the extent, nature and quality of police and other protective services available to the projects and their tenants; the demand for public housing units in the locality, the vacancy rate, and extent of abandonment of such units; and the characteristics and needs of the public housing tenants.

(3) In selecting the anticrime and security methods, concepts and techniques to be demonstrated under this section, the Secretary shall consider the improvement of physical security equipment or dwelling mits in those projects, social and environmental design improvements, tenant awareness and volunteer programs, tenant participation and employment in providing security services, and such other measures as deemed necessary or appropriate by the Secretary. Particular attention shall be given to comprehensive community anticrime and security plans submitted by public housing authorities which (i) provide for coordination between public housing management and local law enforcement officials, or (ii) coordinate resources available to the community through programs funded by the Law Enforcement Assistance Administration, the Department of Health, Education, and Welfare, the Department of Labor, the Community Services Administration, and ACTION, or other Federal or State agencies.

(4) In carrying out the provisions of this section, the Secretary shall coordinate and jointly target resources with other agencies, particularly the Law Enforcement Assistance Administration, the Department of Health, Education, and Welfare, the Department of Labor,

the Community Services Administration, and ACTION.

(d) The Secretary shall initiate and carry out a survey of crime and vandalism existing in the Nation's public housing projects. The survey shall include the nature, extent and impact of crime and vandalism and the nature and extent of resources currently available and employed to alleviate crime and vandalism in public housing.

(e) The Secretary shall report to the Congress not later than eighteen months after the date of enactment of this Λ ct. Such report shall include the results of the survey on crime and vandalism in public housing; findings from the demonstration and evaluation of various methods of reducing the level of crime; and legislative recommendations, if appropriate for (Λ) a comprehensive program to increase security in public housing projects and (B) increasing the coordination between anticrime programs of other State and Federal agencies that may be used by public housing authorities. Any recommendations shall include estimated costs of such programs.

(f) Of the additional authority approved in appropriation Acts with respect to entering into annual contributions contracts under section 5(c) of the United States Housing Act of 1937 for the fiscal year beginning on October 1, 1978, the Secretary may utilize up to \$12,000,000 of such authority in the fiscal year beginning on October 1, 1978, for the establishment of the public housing security demonstra-

tion program authorized by this section.

Comprehensive community anticrime and security plans, consideration.

Crime and vandalism, survey.

Report to Congress.

42 USC 1437c.

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92 STAT, 2095

SECTION 8 HOUSING FOR LARGE FAMILIES

Sec. 208. (a) The Secretary of Housing and Urban Development shall conduct a study for the purpose of examining alternative means of encouraging the development of housing to be assisted under section 8 of the United States Housing Act of 1937 for occupancy by large families which reside in areas with a low-vacancy rate in rental housing

(b) The Secretary shall report to the Congress no later than one Report to year after the date of enactment of this Act, for the purpose of pro-

viding legislative recommendations with respect to the study described in subsection (a).

SOLAR ENERGY SYSTEMS

Sec. 209. (a) It is the purpose of this section to promote and extend the application of viable solar energy systems as a desirable source of energy for residential single-family and multifamily housing units.

(b) (1) The Secretary, in carrying out programs and activities under section 312 of the Housing Act of 1964, section 202 of the Housing 42 USC 1452b. Act of 1959, and section 8 of the United States Housing Act of 1937, 12 USC 1701q. shall permit the installation of solar energy systems which are cost-

effective and economically feasible.
(2) For the purpose of this Act, the term "solar energy system" means any addition, alteration, or improvement to an existing or new structure which is designed to utilize wind energy or solar energy either of the active type based on mechanically forced energy transfer or of the passive type based on convective, conductive, or radiant energy transfer or some combination of these types to reduce the energy requirements of that structure from other energy sources, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation with the Secretary of Energy.

(c) In carrying out subsection (b), the Secretary shall take such steps as may be necessary to encourage the installation of cost-effective and economically feasible solar energy systems in housing assisted under the programs and activities referred to in such subsection taking into account the interests of low-income homeowners and renters. including the implementation of a plan of action to publicize the availability and feasibility of solar energy systems to current or potential

recipients of assistance under such programs and activities.

(d) The Secretary shall, in conjuction with the Secretary of Energy, transmit to the Congress, within eighteen months after the date of Congress. enactment of this Act, a report setting forth-

(1) the number of solar units which were contracted for or installed or which are on order under the provisions of subsection (b) (1) of this section during the first twelve full calendar months

after the date of enactment of this Act; and

(2) an analysis of any problems and benefits related to encouraging the use of solar energy systems in the programs and activities referred to in subsection (b).

TITLE III—PROGRAM AMENDMENTS AND EXTENSIONS

EXTENSION OF FEDERAL HOUSING ADMINISTRATION MORTGAGE INSURANCE PROGRAMS

Sec. 301. (a) Section 2(a) of the National Housing Act is amended 12 USC 1703. by striking out "November 1, 1978" in the first sentence and inserting in lieu thereof "October 1, 1979".

42 USC 1437f note.

42 USC 1437f.

Congress.

12 USC 1701z-13.

"Solar energy system.

Joint report to

92 STAT, 2096

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12 USC 1715h.

(b) Section 217 of such Act is amended by striking out "October 31,

12 USC 1715l.

1978" and inserting in lieu thereof "September 30, 1979".

(c) Section 221(f) of such Act is amended by striking out "October 31, 1978" in the fifth sentence and inserting in lieu thereof "September 30, 1979".

12 USC 1715z.

(d) Section 235 (m) of such Act is amended by striking out "October 31, 1978" and inserting in lieu thereof "September 30, 1979".

12 USC 1715z-1. (e) Section 236(n) of such Act is amended by striking out "October 31, 1978" and inserting in lieu thereof "September 30, 1979".

12 USC 1715z-9.

(f) Section 244(d) of such Act is amended—

(1) by striking out "October 31, 1978" in the first sentence and inserting in lieu thereof "September 30, 1979"; and

(2) by striking out "November 1, 1978" in the second sentence

12 USC 1715z-10. (g) Section 245 of such Act is amended by striking out "October 31, 1978" in the third sentence and inserting in lieu thereof "September 30, 1979".

12 USC 1748h-1.

(h) Section 809 (f) of such Act is amended by striking out "October 31, 1978" in the second sentence and inserting in lieu thereof "September 30, 1979".

12 USC 1748h-2. (i) Section 810(k) of such Act is amended by striking out "October 31, 1978" in the second sentence and inserting in lieu thereof "September 30, 1979"

12 USC 1749bb.

(j) Section 1002(a) of such Act is amended by striking out "October 31, 1978" in the second sentence and inserting in lieu thereof "September 30, 1979".

12 USC 1749aaa.

(k) Section 1101(a) of such Act is amended by striking out "October 31, 1978" in the second sentence and inserting in lieu thereof "September 30, 1979".

EXTENSION OF FLEXIBLE INTEREST RATE AUTHORITY

12 USC 1709-1.

SEC. 302. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, as amended, is amended by striking out "November 1, 1978" and inserting in lieu thereof "October 1, 1979".

EXTENSION OF EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

12 USC 1723e

Sec. 303. Section 3(b) of the Emergency Home Purchase Assistance Act of 1974 is amended by striking out "November 1, 1978" and inserting in lieu thereof "October 1, 1979".

COMPREHENSIVE PLANNING

40 USC 461.

Sec. 304. (a) The second sentence of section 701(e) of the Honsing Act of 1954 is amended by striking out "and not to exceed \$75,000,000 for the fiscal year 1978" and inserting in lieu thereof "not to exceed \$75,000,000 for the fiscal year 1978, and not to exceed \$57,000,000 for the fiscal year 1979".

(b) The second sentence of section 701(c) of such Act is amended by striking out "biennially" and inserting in lieu thereof "triennially".

(c) Section 701(d) (2) of such Act is amended by striking out "biennially" and inserting in lieu thereof "at least triennially" and by striking out "two" and inserting in lieu thereof "three".

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92 STAT, 2097

(d) Section 701(m) of such Act is amended by adding at the end 40 USC 461.

thereof the following:

"(5) The term 'Indian tribal group or body' means any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512).".

"Indian tribal group or body."

25 USC 450 note. 31 USC 1221 note.

RESEARCH AUTHORIZATIONS

Sec. 305. (a) Title V of the Housing and Urban Development Act of 1970 is amended by striking out in the second sentence of section 501 "and not to exceed \$60,000,000 for the fiscal year 1978" and insert- 12 USC 1701z-1. ing in lieu thereof "not to exceed \$60,000,000 for the fiscal year 1978, and not to exceed \$62,000,000 for the fiscal year 1979".

(b) Such title is further amended by adding at the end thereof the following new section:

"CONVERSIONS

"Sec. 510. In carrying out activities under section 501, the Secretary is authorized to conduct demonstrations to determine the feasibility of expanding homeownership opportunities in urban areas and encouraging the creation and maintenance of decent, safe, and sanitary housing in such areas by utilizing techniques including, but not limited to, the conversion of multifamily housing properties to condominium or cooperative ownership by individuals and families.".

Demonstration. 12 USC 1701z-9

(c) The Secretary of Housing and Urban Development shall conduct a study of the feasibility of underground construction of residential housing and changes in housing codes and financing which may be necessary as the result of the adoption of this construction method. The Secretary shall transmit a final report no later than one year after the date of enactment of this Act to the Congress containing the findings and conclusions made as a result of such study, along with any legislative recommendations which the Secretary determines should be enacted with respect to the subject of such study.

Report to Congress.

Study.

NEW COMMUNITIES

Sec. 306. Section 720(a) of the Housing and Urban Development Act of 1970 is amended by striking out "November 1, 1978" and insert- 42 USC 4521. ing in lieu thereof "October 1, 1979".

EXTENSION OF CRIME INSURANCE AND RIOT REINSURANCE PROGRAMS

Sec. 307. (a) Section 1201 of the National Housing Act is amended— (1) by striking out, in subsection (b) (1), "October 31, 1978" 1749bbb. and inserting in lieu thereof "September 30, 1980";

(2) by striking out, in subsection (b)(1)(A), "October 31, 1981" and inserting in lieu thereof "September 30, 1983"; and

(3) by striking out, in subsection (b) (2), "October 31, 1978" and inserting in lieu thereof "September 30, 1981".

(b) Section 1211 of such Act is amended by adding the following new subsection at the end thereof:

"(c) At least one-third of the voting members of every board of directors, board of governors, advisory committee, and other governing or advisory board or committee for each plan described in subsec-

12 USC 1749bbb-3. 92 STAT. 2098

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tion (b) shall be individuals who are not employed by, or otherwise affiliated with, insurers, insurance agents, brokers, producers, or other outilities of the insurance industry."

12 USC 1749bbb-3. entitics of the insurance industry.".

(c) Section 1211(b) of such Act is amended by striking out "and" at the end of paragraph (9), by striking out the period at the end of paragraph (10) and inserting in lieu thereof "; and", and by adding

the following new paragraph at the end thereof:

"(11) Notwithstanding any other provision of this section, on and after January 31, 1979, no risk within the plan shall be insured at a rate higher than the rates or advisory rates set by the principal State-licensed rating organization for essential property insurance in the voluntary market; except that this provision shall not be deemed to prohibit the application to any such risk, on a nondiscriminatory basis, of condition charges for substandard

physical conditions within the control of the applicant for insur-

ance as set by the principal State-licensed rating organization for the voluntary market.".

EXTENSION OF NATIONAL FLOOD INSURANCE PROGRAM

42 USC 4026.

Sec. 308. (a) Section 1319 of the National Flood Insurance Act of 1968 is amended by striking out "October 31, 1978" and inserting in lieuthercof "September 30, 1980".

42 USC 4056.

(b) Section I336(a) of such Act is amended by striking out "October 31, 1978" and inserting in lieu thereof "September 30, 1980".

FLOOD INSURANCE STUDIES

42 USC 4127.

Sec. 309. Section 1376(c) of the National Flood Insurance Act of 1968 is amended by striking out "and not to exceed \$108,000,000 for the fiscal year 1978" and inserting in lieu thereof the following: ", not to exceed \$108,000,000 for the fiscal year 1978, and not to exceed \$114,000,000 for the fiscal year 1979.".

FEDERAL HOUSING ADMINISTRATION GENERAL INSURANCE FUND

12 USC 1735c.

Sec. 310. Section 519(f) of the National Housing Act is amended by inserting the following before the period: ", which amount shall be increased by \$165,000,000 on October 1, 1978".

MULTIFAMILY MORTGAGE INSURANCE

12 USC 1713.

Sec. 311. (a) The last sentence of section 207(c) of the National Housing Act is amended by striking out "eight" and inserting in lieu thereof "five".

12 USC 1715z-6.

(b) Section 241(d) of such Act is amended by adding at the end thereof the following: "At any sale under foreclosure of a mortgage on a project or facility which is not insured under this Act but which is senior to a loan assigned to the Secretary pursuant to subsection (c), the Secretary is authorized to bid, in addition to amounts authorized under section 207(k), any sum up to but not in excess of the total unpaid indebtedness secured by such senior mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses. In the event that, pursuant to subsection (c), the Secretary acquires title to, or is assigned, a loan covering a project or facility which is subject to a mortgage which is not insured under this Act, the Secretary is authorized to make payments from the General Insurance Fund on the debt secured by such mortgage, and to take such other steps as the Secretary may

deem appropriate to preserve or protect the Secretary's interest in the project or facility.".

MORTGAGE INSURANCE FOR NONRESIDENT CARE FACILITIES

Sec. 312. (a) Section 232(a) of the National Housing Act is 12 USC 1715w. amended—

(1) by inserting the following immediately before the period at the end of paragraph (1): ", including additional facilities for the nonresident care of elderly individuals and others who are able to live independently but who require eare during the day"; and

(2) by inserting the following immediately before the period at the end of paragraph (2): ", including additional facilities for the nonresident care of elderly individuals and others who are able to live independently but who require care during the day".

(b) Section 232(b) (2) of such Act is amended by inserting immediately after "nursing services;" in the first sentence the following: "(3) a 'nursing home' or 'intermediate care facility' may include such additional facilities as may be anthorized by the Secretary for the non-resident care of elderly individuals and others who are able to live independently but who require care during the day;".

"Nursing home" or "intermediate care facility."

CONDOMINIUM MORTGAGE INSURANCE

Sec. 313. (a) The first sentence of section 234(c) of the National Housing Act is amended by inserting infinediately after "less units" in the proviso of clause (2) the following: ", or twelve or more units in the case of a multifamily project the construction of which was completed more than a year prior to the application for mortgage insurance,".

(b) The third sentence of section 234(c) of such Act is amended by inserting "(100 per centum if the mortgagor is a veteran as defined under section 203(b)(2) of this Act)" after "centum" in clause (A)(i).

PURCHASE OF FEE SIMPLE TITLE

Sec. 314. Section 240(e) (2) of the National Housing Act is amended by adding "(\$30,000, if the property is located in Hawaii)" immediately after "\$10,000".

NATIONAL NEIGHBORHOOD POLICY ACT

Sec. 315. The National Neighborhood Policy Act is amended by striking out "one year" in section 204(c) and inserting in lieu thereof "fifteen months".

42 USC 1441 note.

HOUSING AND URBAN DEVELOPMENT DAY CARE CENTER FACILITIES

Sec. 316. Section 7(n) of the Department of Housing and Urban Development Act is amended to read as follows:

"(n) Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip, and operate a day care center facility or facilities, or to assist in establishing, equipping, and operating interagency day care facilities for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be

42 USC 3535.

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chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by any such day care center. In addition, limited start-up costs may be provided by the Secretary in an amount limited to 3 per centum of the first year's operating budget, but not to exceed \$3,500.".

SALE OF SURPLUS FEDERAL LAND FOR HOUSING

40 USC 484b. Federal surplus real property, transfer to Secretary of Housing and Urban Development.
41 USC 201 note.

Sec. 317. (a) The first and second sentences of section 414(a) of the Housing and Urban Development Act of 1969 are amended to read as follows: "Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any Federal surplus real property within the meaning of such Act may, in the discretion of the Administrator of General Services, be transferred to the Secretary of Housing and Urban Development at the Secretary's request for sale or lease by the Secretary at its fair value for use in the provision of housing to be occupied predominantly by families or individuals of low and moderate income, assisted under a Federal housing assistance program administered by the Secretary or under a State or local program found by the Secretary to have the same general purpose, and for related public commercial or industrial facilities approved by the Secretary, Prior to any disposition of Federal surplus real property to an entity other than a public body, the Secretary shall notify the governing body of the locality where such property is located of the proposed disposition and no such disposition shall be made if the local governing body, within ninety days of such notification, formally advises the Secretary that it objects to the proposed disposition, unless the Secretary determines (1) that the proposed disposition would be consistent with any approved housing assistance and community development plans developed by such body pursuant to the Housing and Community Development Act of 1974, or (2) in cases where such plans are not available, that there is a need for low- and moderateincome housing taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve any housing proposed in conjunction with the proposed disposition.".

42 USC 5301 note.

(b) Subsection (b) of section 414 of such Act is amended to read as follows:

"(b) As a condition of any disposition by the Secretary of Federal surplus real property under this section to an entity other than a public body, the Secretary shall obtain such undertakings as the Secretary may consider appropriate to assure that the property will be used, to the maximum practicable extent, in the provision of housing and related facilities to be occupied by families or individuals of low and moderate income for a period of not less than thirty years. If during such period the property is used for any purpose other than the purpose for which it was disposed of, it shall revert to the United States (or, in the case of leased property, the lease shall terminate) unless the Secretary and the Administrator, after the expiration of the first twenty years of such period, have approved the use of the property for such other purposes."

INCREASE IN GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGE
PURCHASE AUTHORITY AND LIMITS

SEC. 318. (a) The third clause of the proviso in section 302(b)(1) of the National Housing Act is amended by striking "if the original principal obligation thereof exceeds or exceeded \$33,000 (or such

higher amount not in excess of \$38,000 as the Secretary may by regulation specify in any geographical area where he finds that cost levels so require), for each family residence or dwelling unit covered by the mortgage (plus an additional \$2,500 for each such family residence or dwelling unit which has four or more bedrooms)" and inserting in lieu thereof "if the original principal obligation thereof exceeds or exceeded \$55,000 in the case of property upon which is located a dwelling designed principally for a one-family residence; or \$60,000 in the case of a two- or three-family residence; or \$68,750 in the case of a four-family residence; or, in the case of a property containing more than four dwelling units, \$38,000 per dwelling unit (or such higher amount not in excess of \$45,000 per dwelling unit as the Secretary may by regulation specify in any geographical area where the Secretary finds that cost levels so require) for that part of the property attributable to dwelling use".

(b) Section 305(c) of such Act is amended by striking out "and by 12 USC 1720. \$2,000,000,000 on July 1, 1969" and inserting in lieu thereof "by \$2,000,000,000 on July 1, 1969, and subject to approval in an appropria-

tion Act, by \$500,000,000 on October 1, 1978".

NATIONAL INSTITUTE OF BUILDING SCIENCES

Sec. 319. Section 809(h) of the Housing and Community Development Act of 1974 is amended by inserting after "1978" the following: 12 USC 1701j-2. ", and any amounts not appropriated in fiscal years 1977 and 1978 may be appropriated in any fiscal year through 1982".

TITLE I HOME IMPROVEMENT LOANS FOR MULTIFAMILY DWELLINGS

Sec. 320. The first sentence of section 2(b) of the National Housing Act is amended by striking out "\$25,000", "\$5,000", and "twelve years" in the third proviso in clause (3) and inserting in lieu thereof "\$37,500", "\$7,500", and "fifteen years", respectively.

12 USC 1703.

AMENDMENTS TO THE FEDERAL HOME LOAN MORTGAGE CORPORATION ACT

Sec. 321. (a) Paragraph (1) of subsection (a) of section 305 of the Federal Home Loan Mortgage Corporation Act is amended by inserting the following before the period at the end of the first sentence thereof: "or from any mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insur-

ance program under the National Housing Act".

(b) Paragraph (1) of subsection (a) of section 305 of the Federal Home Loan Mortgage Corporation Act is amended by adding at the end thereof the following new sentences: "The Corporation may establish requirements, and impose charges or fees, which may be regarded as elements of pricing, for different classes of sellers or servicers, and for such purposes the Corporation is authorized to classify sellers or servicers according to type, size, location, assets, or, without limitation on the generality of the foregoing, on such other basis or bases of differentiation as the Corporation may consider necessary or appropriate to effectuate the purposes or provisions of this Act. The Corporation may specify requirements concerning among other things, (A) minimum net worth; (B) supervisory mechanisms; (C) warranty compensation mechanisms; (D) prior approval of facilities; (E) prior origination and servicing experience with respect to different types of mortgages; (F) capital contributions and substitutes; (G) mortgage purchase volume limits; and (H) reduction of mortgage purchases

12 USC 1454.

12 USC 1701

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during periods of borrowing. With respect to any particular type of seller, the Corporation shall not be required to make available programs involving prior approval of mortgages, optional delivery of mortgages, and purchase of other than conventional mortgages to an extent greater than the Corporation elects to make such programs available to other types of eligible sellers. Any requirements specified by the Corporation pursuant to the preceding three sentences must bear a rational relationship to the purposes or provisions of this Act, but will not be considered discriminatory solely on the grounds of differential effects on types of eligible sellers. Insofar as is practicable, the Corporation shall make reasonable efforts to encourage participation in its programs by each type of eligible seller.".

Effective date. 12 USC 1454 note. (c) The amendments made by this section shall become effective at the end of the two hundred and ten calendar days after enactment of this Act, but not before January 31, 1979, or on such earlier date as the Federal Home Loan Mortgage Corporation may prescribe.

SALE OF ACQUIRED PROPERTY TO COOPERATIVES

12 USC 1715z-11. Sec. 322. Section 246 of the National Housing Act is amended to read as follows:

"SALE OF ACQUIRED PROPERTY TO COOPERATIVES

"Sec. 246. In any case which the Secretary sells a multifamily housing project acquired as the result of a default on a mortgage which was insured under this Act to a cooperative which will operate it on a nonprofit basis and restrict permanent occupancy of its dwellings to menibers, or to a nonprofit corporation which operates as a consumer cooperative as defined by the Secretary, the Secretary may accept a purchase money mortgage, or upon application of the mortgagee, insure a mortgage under this section upon such terms and conditions as the Secretary determines are reasonable and appropriate, in a principal amount equal to the value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves; except that the Secretary may add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or make such other provisions for payment of such expenses and costs as the Secretary deems reasonable and appropriate. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements.".

SECONDARY MORTGAGES ON INSURED PROPERTIES

12 USC 1731a.

Sec. 323. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"SECONDARY MORTGAGES ON INSURED PROPERTIES

12 USC 1735f-6. 12 USC 1707. "Sec. 528. In carrying out the provisions of title II of this Act with respect to insuring mortgages secured by a one- to four-family dwelling unit, the Secretary may not deny such insurance for any such mortgage solely because the dwelling unit which secures such mortgage will be subject to a secondary mortgage or loan made or insured, or other secondary lien held, by any State or local governmental agency or instrumentality under terms and conditions approved by the Secretary.".

LEGISLATIVE REVIEW

Sec. 324. Section 7 of the Department of Housing and Urban Development Act is amended by adding at the end thereof the follow- 42 USC 3535.

ing new subsection:

"(o) (1) Notwithstanding any other provision of law, the Secretary shall transmit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives an agenda of all rules or regulations which are under development or review by the Department. Such an agenda shall be transmitted to such Committees within 30 days of the date of enactment of this subsection and at least semiannually thereafter.

"(2)(A) Any rule or regulation which is on any agenda submitted under paragraph (1) may not be published for comment prior to or during the first period of 15 calendar days of continuous session of Congress which occurs after the date on which such agenda was transmitted. If within such period, either Committee notifies the Secretary Notification. in writing that it intends to review any rule or regulation or portion thereof which appears on the agenda, the Secretary shall submit to both Committees a copy of any such rule or regulation, in the form it is intended to be proposed, at least 15 calendar days of continuous session prior to its being published for comment in the Federal Register.

"(B) Any rule or regulation which has not been published for comment before the date of enactment of this subsection and which does not appear on an agenda submitted under paragraph (1) shall be submitted to both such Committees at least 15 calendar days of continuous session of Congress prior to its being published for comment.

"(3) No rule or regulation may become effective until after the first period of 20 calendar days of continuous session of Congress which occurs after the day on which such rule or regulation is published as final. If within such 20-day period, either Committee has reported out or been discharged from further consideration of a joint resolution of disapproval or other legislation which is intended to modify or invalidate the rule or regulation or any portion thereof, the rule or regulation or portion thereof so addressed shall not become effective for a period of 90 calendar days from the date of Committee action or discharge unless the House to which such Committee reports has rejected such resolution or legislation, in which case the rule or regulation may go into effect only after the expiration of the 20 calendar days described in the first sentence of this paragraph if the other House does not have such a resolution or legislation pending or adopted, and if the requirements of section 553 of title 5, United States Code, are met.

"(4) The provisions of paragraphs (2) and (3) may be waived upon the written request of the Secretary, if agreed to by the Chairmen

and Ranking Minority Members of both Committees.

"(5) Congressional inaction on any rule or regulation shall not be deemed an expression of approval of the rule or regulation involved. "(6) For purposes of this subsection—

"(A) continuity of session is broken only by an adjournment

of Congress sine die;

"(B) the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of calendar days of continuous session of Congress; and

"(C) the term 'rule or regulation' does not include the setting of interest rates pursuant to section 3 of Public Law 90-301.".

Rules or regulations agenda, transmittal to congressional committees.

Waiver

"Rule or regulation." 12 USC 1709-1. 92 STAT. 2104

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INCREASED MORTGAGE CEILINGS FOR MORTGAGE INSURANCE PROORAMS

12 USC 1715l.

SEC. 325. (a) Section 221(d) (3) (ii) of the National Housing Act is amended—

(1) by striking out "\$16,860", "\$18,648", "\$22,356", "\$28,152", and "\$31,884" and inserting in lieu thereof "\$21,563", "\$24.662", "\$29,984", "\$38,379", and "\$42,756", respectively; and

(2) by striking out "\$19,680", "\$22,356", "\$26,496", "\$33,120", and "\$38,400" and inserting in lieu thereof "\$22,692", "\$26,012",

"\$31,631", "\$40,919", and "\$44,917", respectively.

(b) Section 221(d)(4)(ii) of such Act is amended by striking out "\$18,450", "\$20,625", "\$24,630", "\$29,640", and "\$34,846" in the matter preceding the first semicolon and inserting in lieu thereof "\$19,406", "\$22,028", "\$26,625", "\$33,420", and "\$37,870", respectively.

FHA-INSURED MORTGAGE REFINANCINO OF HOSPITALS

12 USC 1715n.

Sec. 326. Section 223(f) of the National Housing Act is amended by—

(1) inserting before the period at the end of the first sentence thereof the following: "or the refinancing of existing debt of an existing hospital.";

existing hospital.";
(2) striking out "property" in the second sentence and inserting in lieu thereof "multifamily housing project"; and

(3) adding at the end thereof the following new sentence:
"In the case of refinancing of an existing hospital the Secretary shall prescribe such terms and conditions as the Secretary deems necessary to assure that—

"(A) the refinancing is employed to lower the monthly debt service costs (taking into account any fees or charges connected

with such refinancing) of such existing hospital;

"(B) the proceeds of any refinancing will be employed only to retire the existing indebtedness and pay the necessary cost of refinancing on such existing hospital;

"(C) such existing hospital is economically viable; and

"(D) such existing hospital has received such certifications from a State agency designated in accordance with section 604 (a) (1) or section 1521 of the Public Health Service Act for the State in which the hospital is located as the Secretary deems necessary and appropriate and comparable to the certification required for hospitals insured under section 242 of this Act and that such State agency additionally certify that the services being provided by such existing hospital at the time of refinancing are appropriate as determined pursuant to section 1523 (a) (6) of the Public Health Service Act."

42 USC 291d, 300m.

12 USC 1715z-7.

42 USC 300m-2.

Gongregate Housing Services Act of 1978.

TITLE IV—CONGREGATE SERVICES

SHORT TITLE

42 USC 8001 note.

Sec. 401. This title may be cited as the "Congregate Housing Services Act of 1978".

FINDINOS

42 USC 8001.

Sec. 402. The Congress finds that-

(1) congregate housing, coordinated with the delivery of supportive services, offers an innovative, proven, and cost-effective means of enabling temporarily disabled or handicapped individuals to maintain their dignity and independence and to avoid

costly and unnecessary institutionalization;

(2) a large and growing number of elderly and handicapped residents of public housing projects and of nonprofit projects for the elderly and handicapped face premature and unnecessary institutionalization because of the absence of or deficiencies in the availability, adequacy, coordination, or delivery of the supportive services required for the successful development of adequate numbers of congregate housing projects; and

(3) supplemental supportive services, available on a secure and continuing basis, are essential to a successful congregate housing

program.

DEFINITIONS

Sec. 403. For the purpose of this title—

(1) the term "congregate housing" means (A) low-rent housing 42 USC 8002. which, as of January 1, 1979, was built or under construction, with which there is connected a central dining facility where wholesome and economical meals can be served to such occupants; or (B) low-rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for such occupants;

(2) the term "congregate services programs" means programs to be undertaken by a public housing agency or a nonprofit corporation to provide assistance, including personal assistance and nutritional meals, to eligible project residents who, with such assistance, can remain independent and avoid unnecessary

institutionalization;

(3) the term "elderly" means sixty-two years of age or over; (4) the term "eligible project resident" means elderly handi-

capped individuals, nonelderly handicapped individuals, or temporarily disabled individuals, who are residents of congregate housing projects administered by a public housing agency or by a nonprofit corporation;

(5) the term "handicapped" means having an impairment which (A) is expected to be of long-continued and indefinite duration, and (B) substantially impedes an individual's ability to live independently unless the individual receives supportive congregate services; such impairment may include a functional disability or frailty which is a normal consequence of the human aging process;

(6) the term "personal assistance" means service provided under this title which may include, but is not limited to, aid given to eligible project residents in grooming, dressing, and other activi-

ties which maintain personal appearance and hygiene;

(7) the term "professional assessment committee" means a group of at least three persons appointed by a local public housing agency or a nonprofit corporation and shall include qualified medical professionals and other persons professionally competent to appraise the functional abilities of elderly or permanently disabled adult persons, or both, in relation to the performance of the normal tasks of daily living;

(8) the term "temporarily disabled" means an impairment which (A) is expected to be of no more than six months' duration, and (B) substantially impedes an individual's ability to live independently unless the individual receives supportive congre-

gate services: and

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12 USC 1701q.

(9) the term "nonprofit corporation" means any corporation responsible for a housing project assisted under section 202 of the Housing Act of 1959.

AUTHORIZATION TO ENTER INTO CONTRACTS

42 USC 8003.

42 USC 1437 note.

Sec. 404. The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to enter into contracts with local public housing agencies under the United States Housing Act of 1937 (hereinafter referred to as "public housing agencies") and with nonprofit corporations, utilizing sums appropriated under this title, to provide congregate services programs for eligible project residents in order to promote and encourage maximum independence within a home environment for such residents capable of selfcare with appropriate supportive congregate services. Each contract between the Secretary and a public housing agency or nonprofit corporation shall be for a term of not less than three years or more than five years and shall be renewable at the expiration of such term. Each public housing agency or nonprofit corporation entering into such a contract shall be reserved a sum equal to its total approved contract amount from the moneys authorized and appropriated for the fiscal year in which the notification date of funding approval falls.

CONGREGATE SERVICES PROGRAM

42 USC 8004.

Sec. 405. (a) Congregate services programs assisted under this title must include full meal service adequate to meet nutritional needs, and may also include housekeeping aid, personal assistance, and other services essential for maintaining independent living.

Nondiscrimination.

(b) No services funded under this title may duplicate services which are already affordable, accessible, and sufficiently available on a longterm basis to eligible project residents under programs administered by or receiving appropriations through any department, agency, or instrumentality of the Federal Government or any other public or private department, agency, or organization.

Application, consultation.

42 USC 3001 note.

Copy. Review and

comment.

(c) A public housing agency or nonprofit corporation applying for assistance shall consult with the Area Agency on Aging (or, where no Area Agency on Aging exists, with the appropriate State agency under the Older Americans Act of 1965) in determining the means of providing services under this title and in identifying alternative avail-

able sources of funding for such services.

(d) Prior to the submission of a final application for either new or renewed funding under this title, a public housing agency and a nonprofit corporation shall present a copy of a proposed application to the Area Agency on Aging (or, where no Area Agency on Aging exists to the appropriate State agency under the Older Americans Act of 1965) for review and comment. Such agency and nonprofit corporation shall consider such review and comment in the development of any final application for either new or renewed funding under this title.

(e) (1) When nonelderly handicapped individuals are included among the eligible project residents, the public housing agency and nonprofit corporation shall consult with the appropriate local agency, if any, designated by applicable State law as having responsibility for the development, provision, or identification of social services to permanently disabled adults, for the purpose of determining the means of providing services under this title and of identifying alternative available sources of funding for such services.

(2) Such public housing agency and nonprofit corporation shall also, prior to the submission of a final application for either new or renewed funding under this title, present a copy of the proposed application to such appropriate local agency for review and comment. The public housing agency and nonprofit corporation shall consider such review and comment in the development of any final application for either new or renewed funding under this title.

(f) Any nonprofit corporation or public housing agency receiving assistance under this title may provide congregate services directly to eligible project residents or may, by contract or lease, provide such

services through other appropriate agencies or providers.

(g) Nonprofit corporations and public housing agencies receiving assistance for congregate services programs under this title shall be required to maintain the same dollar amount of annual contribution which they were making, if any, in support of the provision of services eligible for assistance under this title before the date of the submission of the application for such assistance unless the Secretary determines that the waiver of this requirement is necessary for the maintenance of adequate levels of services to eligible project residents. If any contract or lease entered into by a public housing agency or nonprofit corporation pursuant to subsection (f) of this section provides for adjustments in payments for services to reflect changes in the cost of living, then the amount of annual contribution required to be maintained by such public agency or nonprofit corporation under the preceding sentence shall be readjusted in the same manner.

(h) Each nonprofit corporation and public housing agency shall Fees. establish fees for meal service and other appropriate services provided to eligible project residents. These fees shall be reasonable, may not exceed the cost of providing the service, and shall be calculated on a sliding scale related to income which permits the provision of services to such residents who cannot afford meal and service fees. When meal services are provided to other project residents, fees shall be reasonable

and may not exceed the cost of providing the meal service.

(i) The Secretary shall establish standards for the provision of Standards, services under this title, and, in developing such service standards, the consultation. Secretary shall consult with the Secretary of the Department of Health, Education, and Welfare and with appropriate organizations representing the elderly and handicapped, as determined by the Secretary.

Copy. Review and comment.

ELIGIBILITY FOR SERVICES

Sec. 406. (a) The identification of project residents eligible to par- 42 USC 8005. ticipate in a congregate services program assisted under this title, and the designation of the services appropriate to their individual functional abilities and needs, shall be made by a professional assessment committee. Such committee shall utilize procedures which insure that the process of determining eligibility of individuals for services under this title shall accord such individuals fair treatment and due process and a right of appeal of such determination of eligibility, and shall also assure the confidentiality of personal and medical records.

(b) Other residents may participate in a congregate meal service program assisted under this title if the local public housing agency or nonprofit corporation determines that the participation of these individuals will not adversely affect the cost-effectiveness or operation

of the program.

(c) Any public housing agency or nonprofit corporation receiving assistance under this title shall notify the Secretary of any change in the membership of the professional assessment committee within thirty

Recipients membership change. notification.

days of such change. Such notification shall list the names and professional qualifications of new members of the committee.

Procedures.

(d) Procedures shall be established to insure that changes in the membership of the professional assessment committee are consistent with the requirements of section 403(7) of this title.

APPLICATION PROCEDURES

42 USC 8006.

Sec. 407. (a) An application for assistance under this title shall include—

(1) a plan specifying the types and priorities of the basic services the public housing agency or nonprofit corporation proposes to provide during the term of the contract; such plan must be related to the needs and characteristics of the eligible project residents and, to the maximum extent practicable, provide for the changing needs and characteristics of all project residents; such plan shall be determined after consultation with eligible project residents and with the professional assessment committee;

(2) a list of names and professional qualifications of the mem-

bers of the professional assessment committee;

(3) the fee schedule established pursuant to section 405(h)

of this title;

(4) any comment received in connection with any review of a proposed application pursuant to section 405(d) or 405(e)(2); and

(5) a statement affirming (A) that the nonprofit corporation or public housing agency has followed the consultation procedures required in subsections (c), (d), and (e) of section 405, and (B) that such application complies with subsection (b) of such section.

section.

(b) The Secretary shall establish appropriate deadlines for each fiscal year for the submission of applications for funding under this title and shall notify any public housing agency and nonprofit corporation applying for assistance under this title of acceptance or rejection

of its application within ninety days of such submission.

(c) Within twelve months prior to the submission of an application for renewed funding under this title, each nonprofit corporation and public housing agency shall review the performance, appropriateness, and fee schedules of their congregate services program with eligible project residents and with the professional assessment committee. The results of such review shall be included in any application for renewal and shall be considered in the development of the application for renewal by the nonprofit corporation or public housing agency and in its evaluation by the Secretary.

EVALUATION OF APPLICATION AND PROGRAMS

42 USC 8007.

Submission

notification.

Review.

deadlines and

Sec. 408. (a) In evaluating applications for assistance under this

title, the Secretary shall consider-

(1) the types and priorities of the basic services proposed to be provided, and the relationship of such proposal to the needs and characteristics of the eligible residents of the projects where the services are to be provided;

(2) how quickly services will be established following approval

of the application;

(3) the degree to which local social services are adequate for the purpose of assisting eligible project residents to maintain independent living and avoid unnecessary institutionalization;

(4) the professional qualifications of the members of the professional assessment committee; and

(5) the reasonableness of fee schedules established for each

congregate service.

(b) In evaluating programs receiving assistance under this title,

the Secretary shall-

(1) establish procedures for the review and evaluation of the Procedures. performance of nonprofit corporations and public housing ageneies receiving assistance under this title, including provisions for the submission of an annual report, by each such nonprofit corporation and public housing agency, which evaluates the impact and effectiveness of its congregate services program; and
(2) publish annually and submit to the Congress, a report on

and evaluation of the impact and effectiveness of congregate services programs assisted under this title. Such report and evaluation shall be based, in part, on the evaluations required to be sub-

mitted pursuant to paragraph (1).

Report, annual publication and submittal to Congress.

FUNDING PROCEDURES

Sec. 409. (a) The Secretary shall establish procedures—

42 USC 8008.

12 USC 1701a.

(1) to assure timely payments to nonprofit corporations and public housing agencies for approved assisted eongregate services programs with provision made for advance funding sufficient to meet neeessary startup costs;

(2) to permit reallocation of funds approved for the establishment of congregate services in existing public housing projects and projects assisted under section 202 of the Housing Act of 1959 if the services are not established within six months of the

notification date of funding approval;

(3) to assure that where such funding has been approved for the establishment of congregate services for public housing projects and projects assisted under section 202 of the Housing Act of 1959 under construction or approved for construction, these services shall be in place at the start of the project's occupancy by tenants requiring such services for maintaining independent living;

(4) to establish accounting and other standards in order to prevent any fraudulent or inappropriate use of funds under this

title; and

(5) to assure that no more than 1 per centum of the funds appropriated under this title for any fiscal year may be used by public housing agencies and nonprofit corporations for evaluative

purposes as required by section 408(b)(1).

(b) The Secretary shall establish a reserve fund, not to exceed 10 Reserve fund, per centum of the funds appropriated in each fiscal year for the provicestablishment. sion of services under this title, in order to supplement grants awarded to public housing agencies and nonprofit corporations under this title when, in the determination of the Secretary, such supplemental adjustments are required to maintain adequate levels of services to eligible project residents.

MISCELLANEOUS PROVISIONS

Sec. 410. (a) Each public housing agency and nonprofit eorporation 42 USC 8009. shall, to the maximum extent practicable, utilize elderly and permanently disabled adult persons who are residents of public housing projects or projects assisted under section 202 of the Housing Act of 1959, but who are not eligible project residents, to participate in pro-

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viding the services assisted under this title, Such persons shall be paid wages which shall not be lower than whichever is the highest of—

29 USC 201. 29 USC 206. 29 USC 213. (1) the minimum wage which would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 6(a) (1) of such Act applied to the resident and if he or she were not exempt under section 13 thereof;

(2) the State or local minimum wage for the most nearly com-

parable covered employment; or

(3) the prevailing rates of pay for persons employed in similar

public occupations by the same employer.

(b) No service provided to a public housing resident or to a resident of a housing project assisted under section 202 of the Housing Act of 1959 under this title, except for wages paid under subsection (a) of this section, may be treated as income for the purpose of any other program or provision of State or Federal law.

(c) Individuals receiving services assisted under this title shall be deemed to be residents of their own households, and not to be residents of a public institution, for the purpose of any other program or provi-

sion of State or Federal law.

Regulations. (d) The Secretary may issue regulations to carry out the provisions of this title.

AUTHORIZATION OF APPROPRIATIONS

42 USC 8010.

Sec. 411. (a) To carry out the provisions of this title, there are authorized to be appropriated—

(1) for fiscal year 1979, not to exceed \$20,000,000;
(2) for fiscal year 1980, not to exceed \$25,000,000;
(3) for fiscal year 1981, not to exceed \$35,000,000; and

(4) for fiscal year 1982, not to exceed \$40,000,000.

(b) Sums appropriated pursuant to this section shall remain available until expended.

AMENDMENT TO THE UNITED STATES HOUSING ACT OF 1937

"Congregate housing." 42 USC 1437e. Sec. 412. Section 7 of the United States Housing Act of 1937 is amended by striking out the second sentence and inserting in lieu thereof the following: "As used in this section, the term 'congregate housing' means (1) low-rent housing which, as of January 1, 1979, was built or under construction, with which there is connected a central dining facility where wholesome and economical meals can be served to such occupants; or (2) low-rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for such occupants. Such occupants of congregate housing may also be provided with other supportive services appropriate to their needs under title IV of the Housing and Community Development Amendments of 1978.".

Ante. p. 2104.

TITLE V-RURAL HOUSING

AUTHORIZATIONS

42 USC 1483.

Sec. 501. (a) Section 513(b) of the Housing Act of 1949 is amended by inserting after "October 31, 1978" the following: ", and not to exceed \$48,000,000 for the fiscal year ending September 30, 1979".

(b) Section 513(c) of such Act is amended by inserting before the semicolon at the end thereof the following: ", and not to exceed \$38,000,000 for the fiscal year ending September 30, 1979".

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(c) Section 513 of such Act is amended by striking out clause (d) and inserting in lieu thereof the following: "(d) not to exceed \$10,000,000 for research and study programs pursuant to subsections (b), (c), and (d) of section 506 for the fiscal year ending September 30, 1979;"

(d) Section 514 of such Act is amended by striking out "\$25,000,000" 42 USC 1484. in subsection (d) and inserting in lieu thereof "\$38,000,000 (subject to

approval in an appropriation Act)".

(e) Section 515(b)(5) of such Act is amended by striking out "October 31, 1978" and inserting in lieu thereof "September 30, 1979".

(f) Section 517(a)(1) of such Act is amended by striking out 42 USC 1487. "October 31, 1978" and inserting in lieu thereof "September 30, 1979". 42 USC 1490c. (g) Section 523(f) of such Act is amended-

(1) by striking out "November 1, 1978" and inserting in lieu thereof "October 1, 1979"

(2) by striking out "October 31, 1978" and inserting in lieu

thereof "September 30, 1979"; and (3) by striking out "\$10,000,000" and inserting in lieu thereof

"\$16,500,000"

(h) Section 523(g) of such Act is amended by inserting before the period at the end of the first sentence the following: ", and not to exceed \$3,000,000 for the fiscal year ending September 30, 1979".

(i) Section 525(c) of such Act is amended by inserting after the first 42 USC 1490e. sentence the following new sentence: "There are also authorized to be appropriated for the fiscal year ending September 30, 1979, not to exceed \$5,000,000 for the purposes of subsection (a) and not to exceed \$5,000,000 for the purposes of subsection (b).".

42 USC 1483.

42 USC 1485.

RURAL HOUSING RESEARCH

Sec. 502. (a) Subsection (b) of section 506 of the Housing Act of

1949 is amended to read as follows:

"(b) The Secretary is further authorized and directed to conduct research, technical studies, and demonstrations relating to the mission and programs of the Farmers Home Administration and the national housing goals defined in section 2 of this Act. In connection with such activities, the Secretary shall seek to promote the construction of adequate farm and other rural housing, with particular attention to the housing needs of the elderly, handicapped, migrant and seasonal farmworkers, Indians and other identifiable groups with special needs. The Secretary shall conduct such activities for the purposes of stimulating construction and improving the architectural design and utility of dwellings and buildings.".

(b) Section 506 of such Act is amended by adding the following Study.

new subsection at the end thereof:

"(f) (1) The Secretary shall conduct a study of housing which is available for migrant and settled farmworkers. In conducting such study, the Secretary shall-

"(A) determine the location, number, quality, and condition of housing units which are available to such farmworkers and the

cost assessed such farmworkers for occupying such units;

"(B) recommend legislative, administrative, and other action (including the need for new authority for such action) which may be taken for the purpose of improving both the availability and the condition of such housing units; and

"(C) determine the possible roles which individual farmworkers, farmworker associations, individual farmers, farmer

Buildings and repairs.

42 USC 1476.

42 USC 1441.

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Results to House and Senate. associations, and public and private nonprofit agencies can perform in improving the housing conditions of farmworkers.

"(2) The Secretary shall transmit the results of the study described in paragraph (1) to each House of the Congress within one year after the date of the enactment of this subsection.".

APPEALS PROCEDURES

Rules and regulations. 42 USC 1480. Sec. 503. Section 510 of the Housing Act of 1949 is amended by redesignating paragraphs (g), (h), and (i) as paragraphs (h), (i), and (j), respectively, and by inserting the following new paragraph

after paragraph (f):

"(g) issue rules and regulations which assure that applicants denied assistance under this title or persons or organizations whose assistance under this title is being substantially reduced or terminated are given written notice of the reasons for denial, reduction or termination and are provided at least an opportunity to appeal an adverse decision and to present additional information relevant to that decision to a person, other than the person making the original determination, who has

authority to reverse the decision;".

DOMESTIC FARM LABOR HOUSING

Waiver. 42 USC 1484. Sec. 504. Section 514 of the Housing Act of 1949 is amended by

adding at the end thereof the following:

42 USC 1471.

"(g) The Secretary may waive the interest rate limitation contained in subsection (a) (2) and the requirement of section 501(c) (3) in any case in which the Secretary determines that qualified public or private nonprofit sponsors are not currently available and are not likely to become available within a reasonable period of time and such waiver is necessary to permit farmers to provide housing and related facilities for migrant domestic farm laborers, except that the benefits resulting from such waiver shall accrue to the tenants, and the interest rate on a loan insured under this section and for which the Secretary permits such waiver shall be no less than one-eighth of 1 per centum above the average interest rate on notes or other obligations which are issued under section 511 and have maturities comparable to such a loan.".

42 USC 1481.

SPONSORS PRIORITY

42 USC 1486.

Sec. 505. Section 516(e) of the Housing Act of 1949 is amended by adding at the end thereof the following: "The Secretary shall not give priority for funding under this section to any one of the groups listed in subsection (a) over any of the others so listed.".

ASSISTANCE TO PERSONS RECEIVING LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING

42 USC 1490a.

Sec. 506. (a) Section 521(a) (1) of the Housing Act of 1949 is amended—

(1) by inserting "(A)" after "Sec. 521. (a) (1)";

(2) by striking out everything in the first sentence after "one-eighth of 1 per centum" and inserting in lieu thereof a period; and

(3) by inserting the following at the end thereof:

"(B) From the interest rate so determined, the Secretary may provide the borrower with assistance in the form of credits so as to reduce the effective interest rate to a rate not less than 1 per centum per

annum for such periods of time as the Secretary may determine for applicants described in subparagraph (A) if without such assistance such applicants could not afford the dwelling or make payments on

the indebtedness of the rental or cooperative housing.

"(C) For persons of low income under section 502 or 517(a) who the Secretary determines are unable to afford a dwelling with the assistance provided under subparagraph (B) and when the Secretary determines that assisted rental housing programs (as authorized under this title, the National Housing Act, and the United States Housing Act of 1937) would be unsuitable in the area in which such persons reside, the Secretary may provide additional assistance, pursuant to amounts approved in appropriation Acts and for such periods of time as the Secretary may determine, which may be in an amount not to exceed the difference between (i) the amount determined by the Secretary to be necessary to pay the principal indebtedness, interest, taxes, insurance, utilities, and maintenance, and (ii) 25 per centum of the income of such applicant.

"(D) With respect to borrowers under section 502 or 517(a) who have received assistance under subparagraph (B) or (C), the Secretary shall provide for the recapture of all or a portion of such assistance rendered upon the disposition or nonoccupancy of the property by the borrower. In providing for such recapture, the Secretary shall make provisions to provide incentives for the borrower to maintain the property in a marketable condition. Notwithstanding any other provision of law, any such assistance whenever rendered shall constitute a debt secured by the security instruments given by the borrower to the Secretary to the extent that the Secretary may provide

for recapture of such assistance.

"(E) Except for Federal or State laws relating to taxation, the assistance rendered to any borrower under subparagraphs (B) and (C) shall not be considered to be income or resources for any purpose under any Federal or State laws including, but not limited to, laws

relating to welfare and public assistance programs.

"(F) Loans subject to the interest rates and assistance provided under this paragraph (1) may be made only when the Secretary determines the needs of the appplicant for necessary housing cannot be met with financial assistance from other sources including assistance under the National Housing Act and the United States Housing Act of 1937.

"(G) Interest on loans under section 502 or 517(a) to victims of a natural disaster shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

"(H) The aggregate principal amount of loans made to borrowers receiving assistance pursuant to subparagraph (C) shall not exceed \$440,000,000.".

(b) Section 517(j) of such Act is amended by striking out "(2)" 42 USC 1487. in paragraph (4).

RURAL RENTAL ASSISTANCE

Sec. 507. Section 521(a)(2)(A) of the Housing Act of 1949 is 42 USC 1490a. amended—

(1) by striking out "the owners" in the first sentence and inserting in lieu thereof "public and private nonprofit owners";

(2) by inserting "congregate, or cooperative" after "rental" the second time it appears in the first sentence; and

42 USC 1472, 1487.

12 USC 1701. 42 USC 1437 note.

Recapture.

Maintenance incentives.

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(3) by inserting ", by a loan under section 514," immediately after "section 515 for elderly or handicapped housing" in clause (i) of the second sentence.

STUDY OF EMERGENCY POTABLE WATER AND SEWAGE PROGRAM

42 USC 1476 note.

Sec. 508. (a) The Secretary of Agriculture shall—

(1) carry out a study to determine the approximate number of rural housing units without access to sanitary toilet facilities, potable water, or access to both sanitary toilet facilities and potable water, as defined under regulations established by the Secretary; and

(2) prepare a projection of the cost of implementing an emergeney program to provide sanitary toilet facilities and potable water supplies for all such housing units over a two-year period.

(b) Not later than six months after the date of enactment of this Act, the Secretary of Agriculture shall report to the Congress the results of the study and projection under subsection (a).

STUDY OF PROBLEMS CAUSED BY REMOTE CLAIMS

42 USC 1480 note.

Report to

Congress.

Sec. 509. (a) The Secretary of Agriculture (hereafter referred to in this section as "Secretary") shall make a detailed study of the problems associated with obtaining title insurance by persons in rural areas with respect to real property encumbered by remote claims or other remote encumbrances which prevent such persons from receiving the full benefit of the use of such property, including the benefit of assistance provided under this title. The Secretary shall, in making such study, consider and develop findings and conclusions with respect to—

(1) the extent of such problems as they pertain to the lawful

rights of such persons;

(2) the location and amount of land affected by such problems; (3) the nature, extent, and effectiveness of remedies to such problems presently available, or proposed, under State law;

(4) the potential impact (with respect to existing Federal, State, and local laws) of such remote claims and encumbrances and of any reasonable remedies determined necessary for resolving the problems created for persons by such remote claims or encumbrances:

(5) the liability and losses which might accrue to the Federal Government as a result of each of the remedies considered in the

study conducted under this section; and

(6) other issues which the Secretary determines shall be considered, after consulting with the Secretary of Housing and Urban

Development.

Congress.

Legislative

recommendations.

(b) Not later than March 1, 1979, the Secretary shall transmit to the Congress an interim report on the study conducted under this section. In addition, the Secretary shall, not later than one year after the date of the enactment of this Act, transmit a final report to the Congress. Such final report shall contain the findings and conclusions of the Secretary with respect to the study made under this section. In addition, such final report shall include-

(1) recommendations for Federal legislative actions necessary to implement reasonable remedies to the problems studied under

this section; and

(2) recommendations for legislative actions which may be undertaken by State and local governments for the purposes of providing such remedies.

Reports to

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92 STAT, 2115

TITLE VI-NEIGHBORHOOD REINVESTMENT CORPORATION

Neighborhood Reinvestment Corporation Act.

SHORT TITLE

Sec. 601. This title may be cited as the "Neighborhood Reinvestment 42 USC 8101 Corporation Act".

FINDINGS AND PURPOSE

Sec. 602. (a) The Congress finds that—

42 USC 8101.

(1) the neighborhood housing services demonstration of the Urban Reinvestment Task Force has proven its worth as a successful program to revitalize older urban neighborhoods by mobilizing public, private, and community resources at the neighborhood level: and

(2) the demand for neighborhood housing services programs in cities throughout the United States warrants the creation of a public corporation to institutionalize and expand the neighborhood housing services program and other programs of the present

Urban Reinvestment Task Force.

(b) The purpose of this title is to establish a public corporation which will continue the joint efforts of the Federal financial supervisory agencies and the Department of Housing and Urban Development to promote reinvestment in older neighborhoods by local financial institutions working cooperatively with community people and local government, and which will continue the nonbureaucratic approach of the Urban Reinvestment Task Force, relying largely on local initiative for the specific design of local programs.

ESTABLISHMENT OF CORPORATION

Sec. 603. (a) There is established a National Neighborhood Rein- 42 USC 8102. vestment Corporation (hereinafter referred to as the "corporation") which shall be a body corporate and shall possess the powers, and shall be subject to the direction and limitations specified herein.

(b) The corporation shall implement and expand the demonstration Duties. activities carried out by the Urban Reinvestment Task Force.

(c) The corporation shall maintain its principal office in the District Offices. of Columbia or at such other place the corporation may from time to time prescribe.

(d) The corporation, including its franchise, activities, assets, and income, shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent

according to its value as other real property is taxed.

BOARD OF DIRECTORS; ESTABLISHMENT

Sec. 604. (a) The corporation shall be under the direction of a board Membership. of directors made up of the following members:

(1) the Chairman of the Federal Home Loan Bank Board;

(2) the Secretary of Housing and Urban Development; (3) a member of the Board of Governors of the Federal Reserve System, to be designated by the Chairman of the Board of Governors of the Federal Reserve System;

42 USC 8103.

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- (4) the Chairman of the Federal Deposit Insurance Corporation;
 - (5) the Comptroller of the Currency; and

(6) the Administrator of the National Credit Union

Chairman.

Administration.

(b) The Board shall elect from among its members a chairman who shall serve for a term of two years, except that the Chairman of the Federal Home Loan Bank Board shall serve as Chairman of the Board of Directors for the first such two-year term.

Compensation and expenses.

- (c) Each director of the corporation shall serve ex officio during the period he holds the office to which he is appointed by the President.
- (d) The directors of the corporation, as full-time officers of the United States, shall serve without additional compensation but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of their duties as directors of the corporation.
- (e) The directors of the corporation shall adopt such bylaws, policies, and administrative provisions as are necessary to the functioning of the corporation and consistent with the provisions of this

Quorum. title.

- (f) The presence of a majority of the board members shall constitute a quorum.
- (g) The corporation shall be subject to the provisions of section 552 of title 5, United States Code.
- (h) All meetings of the board of directors will be conducted in accordance with the provisions of section 552b of title 5, United States Code.

OFFICERS AND EMPLOYEES

42 USC 8104.

- Sec. 605. (a) The board shall have power to select, employ, and fix the compensation and benefits of such officers, employees, attorneys, and agents as shall be necessary for the performance of its duties under this title, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, classification, and General Schedule pay rates, except that no officer, employee, attorney, or agent of the corporation may be paid compensation at a rate in excess of the highest rate provided for GS-18 of the General Schedule under section 5332 of title 5, United States Code.
- (b) The directors of the corporation shall appoint an executive director who shall serve as chief executive officer of the corporation.
- (c) The executive director of the corporation, subject to approval by the board, may appoint and remove such employees of the corporation as he determines necessary to carry out the purposes of the corporation.
- (d) No political test or political qualification shall be used in selecting, appointing, promoting, or taking any other personnel action with respect to any officer, agent, or employee of the corporation or of any recipient, or in selecting or monitoring any grantee, contractor, or person or entity receiving financial assistance under this title.
- (e) Officers and employees of the corporation shall not be considered officers or employees of the United States, and the corporation shall not be considered a department, agency, or instrumentality of the Federal Government. The corporation shall be subject to administrative and cost standards issued by the Office of Management and Budget similar to standards applicable to non-profit grantees and educational institutions.

POWERS AND DUTIES

Sec. 606. (a) (1) The corporation shall continue the work of the Urban Reinvestment Task Force in establishing neighborhood housing services programs in neighborhoods throughout the United States, supervising their progress, and providing them with grants and technical assistance. For the purpose of this paragraph, a neighborhood housing services program may involve a partnership of neighborhood residents and representatives of local governmental and financial institutions, organized as a State-chartered non-profit corporation, working to bring about reinvestment in one or more neighborhoods through a program of systematic housing inspections, increased public investment, increased private lending, increased resident investment, and a revolving loan fund to make loans available at flexible rates and terms to homeowners not meeting private lending criteria.

(2) The corporation shall continue the work of the Urban Reinvestment Task Force in identifying, monitoring, evaluating, and providing grants and technical assistance to selected neighborhood preservation projects which show promise as mechanisms for reversing neighborhood decline and improving the quality of neighborhood life.

(3) The corporation shall experimentally replicate neighborhood preservation projects which have demonstrated success, and after creating reliable developmental processes, bring the new programs to neighborhoods throughout the United States which in the judgment of the corporation can benefit therefrom, by providing assistance in organizing programs, providing grants in partial support of program costs, and providing technical assistance to ongoing programs.

(4) The corporation shall continue the work of the Urban Reinvestment Task Force in supporting Neighborhood Housing Services of America, a nonprofit corporation established to provide services to local neighborhood housing services programs, with support which may include technical assistance and grants to expand its national loan purchase pool and may contract with it for services which it can perform more efficiently or effectively than the corporation.

(5) The corporation shall, in making and providing the foregoing grants and technical and other assistance, determine the reporting and management restrictions or requirements with which the recipients of such grants or other assistance must comply. In making such determinations, the corporation shall assure that recipients of grants and other assistance make available to the corporation such information as may be necessary to determine compliance with applicable Federal

laws.

(b) To carry out the foregoing purposes and engage in the foregoing activities, the corporation is authorized—

(1) to adopt, alter, and use a corporate seal;

(2) to have succession until dissolved by Act of Congress;

(3) to make and perform contracts, agreements, and commitments;

(4) to sue and be sued, complain and defend, in any State, Fed-

eral, or other court;

(5) to determine its necessary expenditures and the manner in which the same shall be incurred, allowed, and paid, and appoint, employ, and fix and provide for the compensation of consultants, without regard to any other law, except as provided in section 608(d);

(6) to settle, adjust, and compromise, and with or without compensation or benefit to the corporation to release or waive in whole

Housing services programs, continuation. 42 USC 8105.

Preservation projects.

Contracts and grants.

Services and

facilities.

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or in part, in advance or otherwise, any claim, demand, or right of, by, or against the corporation;

(7) to invest such funds of the corporation in such investments

as the board of directors may prescribe;

(8) to acquire, take, hold, and own, and to deal with and dispose of any property; and

(9) to exercise all other powers that are necessary and proper to

carry out the purposes of this title.
(c) (1) The corporation may contract with the Office of Neighborhood Reinvestment of the Federal home loan banks for all staff, services, facilities, and equipment now or in the future furnished by the Office of Neighborhood Reinvestment to the Urban Reinvestment Task Force, including receiving the services of the Director of the Office of Neighborhood Reinvestment as the eorporation's executive director.

(2) The corporation shall have the power to award contracts and

grants to-

(A) neighborhood housing services corporations and other nonprofit corporations engaged in neighborhood preservation activi-

(B) local governmental bodies.

(3) The Secretary of Housing and Urban Development, the Federal Home Loan Bank Board and the Federal home loan banks, the Board of Governors of the Federal Reserve System and the Federal Reserve banks, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency, the National Credit Union Administration or any other department, agency, or other instrumentality of the Federal Government are authorized to provide services and facilities, with or without reimbursement, necessary to achieve the objectives and to carry out the purposes of this title.

(d) (1) The corporation shall have no power to issue any shares of

stocks, or to declare or pay any dividends.

(2) No part of the income or assets of the corporation shall inure to the benefit of any director, officer, or employee, except as reasonable compensation for services or reimbursement for expenses.

(3) The corporation may not contribute to or otherwise support any

political party or candidate for elective public office.

REPORTS AND AUDITS

Transmiltal to President and Congress. 42 USC 8106.

Sec. 607. (a) The corporation shall publish an annual report which shall be transmitted by the corporation to the President and the Congress.

(b) The accounts of the corporation shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants who are certified by a regulatory authority of the jurisdiction in which the audit

is undertaken.

(c) In addition to the annual audit, the financial transactions of the corporation for any fiscal year during which Federal funds are available to finance any portion of its operations may be audited by the General Accounting Office in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States. The financial transactions of the corporation shall be audited by the General Accounting Office at least once during each three years.

(d) For any fiscal year during which Federal funds are available to finance any portion of the corporation's grants or contracts, the General Accounting Office, in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States, may audit the grantees or contractors of the corporation.

(e) The corporation shall conduct or require each grantee or contractor to provide for an annual financial audit. The report of each such audit shall be maintained for a period of at least five years at the principal office of the corporation.

AUTHORIZATION

Sec. 608. (a) There are authorized to be appropriated to the corpo- Appropriation ration to carry out this title not to exceed \$12,500,000 for fiscal year authorization. 1979.

42 USC 8107.

(b) Funds appropriated pursuant to this section shall remain avail-

able until expended.

(c) Non-Federal funds received by the corporation, and funds received by any recipient from a source other than the corporation. shall be accounted for and reported as receipts and disbursements

separate and distinct from Federal funds.

(d) The corporation shall prepare annually a business-type budget Annual budget which shall be submitted to the Office of Management and Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented. The budget of the corporation as modified, amended, or revised by the President shall be transmitted to the Congress as a Congress. part of the annual budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget program may be sub- 31 USC1. mitted from time to time.

submittal.

Transmittal to

TITLE VII—NEIGHBORHOOD SELF-HELP DEVELOPMENT

SHORT TITLE

Sec. 701. This title may be cited as the "Neighborhood Self-Help Development Act of 1978".

Neighborhood Self-Help Development Act of 1978.

FINDINGS AND PURPOSE

Sec. 702. (a) The Congress finds and declares that—

42 USC 8121.

42 USC 8121

note.

(1) existing urban neighborhoods are a national resource to be conserved and revitalized wherever possible, and that public policy should promote governmental and private programs and activities that further that objective;

(2) to be effective, neighborhood conservation and revitalization efforts must involve the fullest possible support and participation of those most directly affected at the neighborhood levels;

and

(3) an effective way to obtain such support and participation at the neighborhood level is through neighborhood organizations accountable to residents of a particular neighborhood with a demonstrable capacity for developing, assessing, and carrying out projects for neighborhood conservation and revitalization.

(b) Therefore, the purposes of this title are (1) to provide grants and other forms of assistance to qualified neighborhood organizations to undertake specific housing, economic or community development, and other appropriate neighborhood conservation and revitalization projects in low- and moderate-income neighborhoods, which are in need of preservation and revitalization, and (2) in the process of pro92 STAT, 2120

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viding such assistance, to increase the capacity of neighborhood organizations to utilize and coordinate resources available from the public and private sectors and from the residents and neighborhoods themselves, in conserving and revitalizing such neighborhoods.

DEFINITIONS

42 USC 8122.

Sec. 703. As used in this title-

(1) the term "neighborhood organization" means a voluntary, nonprofit organization which (A) is broadly representative of the neighborhood in which the project will be located (and may include representatives of local business, financial and other governmental and nongovernmental entities), (B) is accountable to neighborhood residents with respect to the project being proposed, (C) has an objective the preservation and revitalization of such neighborhood, and (D) is found by the Secretary to have a proven record or demonstrable capacity for developing resources for, and effectively implementing neighborhood conservation and revitalization programs and projects;

(2) the term "neighborhood conservation and revitalization projects" includes, but is not limited to. (A) locally initiated programs for housing rehabilitation or the creative reuse or improvement of existing housing; (B) conservation and revitalization of neighborhood retail business areas and the recycling of vacant or underutilized industrial sites, public facilities, and privately-owned businesses for the purpose of expanding employment opportunities and neighborhood economic development; and (C)

energy conservation and weatherization projects; and
(3) the term "Secretary" means the Secretary of Housing and

Urban Development.

AUTHORITY TO PROVIDE ASSISTANCE

Grants. 42 USC 8123. Sec. 704. (a) The Secretary is authorized to make grants and to provide other forms of assistance to neighborhood organizations for effectively preparing and implementing specific housing, economic and community development, and other appropriate neighborhood conservation and revitalization projects within a particular neighborhood, and to assist such organizations in implementing such projects in partnership with local government and other public and private entities.

(b) Grants and other forms of assistance may be made available

under this section only if—

(1) the assistance will be used for a specific project which is related to and supportive of a conservation or revitalization strategy for the neighborhood in which the project will be located;

(2) the project will, to the extent feasible, include a self-help component which involves a contribution of time or resources by neighborhood residents:

(3) the project will directly benefit the residents of a low- or

moderate-income neighborhood;

(4) the project will, to the extent feasible, involve leveraging of

resources available from the private sector;

(5) the project will, to the extent feasible, involve the coordination of resources available from the local, State, or Federal Government:

(6) the applicant demonstrates that the residents of the neighborhood where the project will be located, and particularly residents who will be directly affected by the project, have been actively involved in and supportive of the selection of the project, and will continue to be involved in project development, implementation, and evaluation through an effective and continuing participation mechanism; and

(7) the applicant provides evidence that identified funding sources support the project and can make funds available con-

tingent on the progress of the project.

(c) Grants and other forms of assistance made available under this section shall be used primarily for preparing and the implementation of specific neighborhood housing, economic, and community development projects. No grant or other assistance or portion thereof shall be made available under this section for (1) planning functions which are not directly combined with project implementation, (2) a public works project such as street repair which is not associated with the specific project being funded under this section, (3) operation of a social service program which is not associated with the specific project being funded under this section, (4) an economic development project which will not primarily benefit the residents of the neighborhood in which it will be located, (5) operating costs of a community group which are not associated with the specific project being funded under this section, or (6) other purposes which the Secretary may determine are not consistent with the purposes of this title.

(d) Grants and other forms of assistance may be made available under this title only if the application contains a certification by the unit of general local government within which the neighborhood to be assisted is located that such assistance is consistent with, and supportive of the specific objectives of that unit of government including housing and community development, economic development, and neighborhood conservation or revitalization activities being carried

out by such unit.

(e) The Secretary shall consult with the heads of other Federal Consultation and departments and agencies having responsibilities related to the purposes of this title, including the Community Services Administration, with respect to (1) general standards, policies, and procedures to be followed in the administration of this title, and (2) particular assistance actions or approvals which the Secretary believes to be of special interest or concern to one or more of such departments and agencies. The Secretary shall ensure the close coordination of activities assisted under this title with other related Federal, State, and local assistance programs, including the programs of the Community Services Administration, and, with respect to particular assistance actions or approvals, ensure a maximum commitment by the neighborhood organization of its own financial and other resources toward the assisted project. APPROPRIATIONS

Sec. 705. There are authorized to be appropriated for the purpose 42 USC 8124. of carrying out this title not to exceed \$15,000,000 for each of the fiscal years 1979 and 1980. Any amount appropriated pursuant to this section shall remain available until expended.

coordination.

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Livable Cities Act of 1978.

TITLE VIII—LIVABLE CITIES

SHORT TITLE

42 USC 8141

Sec. 801. This title may be cited as the "Livable Cities Act of 1978".

FINDINGS

42 USC 8141.

Sec. 802. The Congress finds and declares-

(1) that artistic, cultural, and historic resources, including urban design, constitute an integral part of a suitable living environment for the residents of the Nation's urban areas, and should be available to all residents of such areas, regardless of income;

(2) that the development or preservation of such resources is a significant and necessary factor in restoring and maintaining the vitality of the urban environment, and can serve as a catalyst for improving decaying or deteriorated urban communities and expanding economic opportunities, and for creating a sense of community identity, spirit, and pride; and

(3) that the encouragement and support of local initiatives to develop or preserve such resources, particularly in connection with federally assisted housing or community development activities or in communities with a high proportion of low-income residents, is an appropriate function of the Federal Government.

PURPOSE

42 USC 8142.

Sec. 803. The primary purpose of this title is to assist the efforts of States, local governments, neighborhood and other organizations to provide a more suitable living environment, expand cultural opportunities, and to the extent practicable, stimulate economic opportunities, primarily for the low and moderate income residents of communities and neighborhoods in need of conservation and revitalization, through the utilization, design or development of artistic, cultural, or historic resources.

DEFINITIONS

42 USC 8143.

Sec. 804. For the purpose of this title—

(1) the terms "art" and "arts" include, but are not limited to, architecture (including preservation, restoration, or adaptive use of existing structures), landscape architecture, urban design, interior design, graphic arts, fine arts (including painting and sculpture), performing arts (including music, drama, and dance), literature, crafts, photography, communications media and film, as well as other similar activities which reflect the cultural heritage

of the Nation's communities and their citizens;

26 USC 501.

(2) the term "nonprofit organization" means an organization in which no part of its net earnings inures to the benefit of any private stockholder or stockholders, individual or individuals and, if a private entity, which is not disqualified for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1954 by reason of attempting to influence legislation and does not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office; such organizations may include States and units of local government (including public agencies or special authorities thereof), regional organizations of local gov-

ernments and nonprofit societies, neighborhood groups, institu-

tions, organizations, associations or museums;

(3) the term "project" means a program or activity intended to carry out the purposes of this title, including programs for neighborhood and community-based arts programs, urban design, user needs design, and the encouragement of the preservation of historic or other structures which have neighborhood or community significance;

(4) the term "Secretary" means the Secretary of Housing and

Urban Development;

(5) the term "Chairman" means the Chairman of the National

Endowment for the Arts;

(6) the term "Department" means the Department of Housing and Urban Development; and

(7) the term "Endowment" means the National Endowment for the Arts.

GRANTS TO OR CONTRACTS WITH ORGANIZATIONS

Sec. 805. (a) The Secretary is authorized to make grants to, or enter 42 USC 8144. into contracts with, nonprofit organizations for the purpose of enabling such organizations to undertake or support in cities, urban communities, or neighborhoods, projects which the Secretary, in consultation with the Chairman, determines will carry out the purposes of this title and which-

(1) have substantial artistic, cultural, historical, or design

merit.

(2) represent community or neighborhood initiatives which have a significant potential for conserving or revitalizing communities or neighborhoods, and for enhancing community or neighborhood identity and pride, and

(3) meet the criteria established jointly by the Secretary and

the Chairman pursuant to this section.

(b) The Secretary and the Chairman shall establish jointly criteria and procedures for evaluating and selecting projects to be assisted under this title. Such criteria shall address, but need not be limited to-

(1) artistic, cultural, historical, or design quality;

(2) the degree of broadly based, active involvement of neighborhood residents, community groups, local officials, and persons with expertise in the arts with the proposed project;

(3) the degree of or the potential for utilization or stimulation of assistance or cooperation from other Federal, State, and local

public and private sources, including arts organizations;

(4) the feasibility of project implementation, including the capability of the sponsor organization;

(5) the potential contribution to neighborhood revitalization and the creation of a sense of community identity and pride;

(6) the potential for stimulating neighborhood economic and community development, particularly for the benefit of persons of low and moderate income; and

(7) the potential of utilization of the project by neighborhood residents, particularly residents of low and moderate income,

senior citizens, and handicapped persons.

(c) No assistance shall be made under this title except upon application therefor submitted to the Secretary in accordance with regulations and procedures established jointly by the Secretary and the Chairman.

Assistance. criteria and procedures, joint establishment.

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Consultation.

(d) Prior to the approval of any application for assistance under this title, the Secretary shall consult with the Chairman and, in accordance with regulations and procedures established jointly by the Secretary and the Chairman, seek the recommendations of State and local officials and private citizens who have broad knowledge of, or experience or expertise in, community and economic development and revitalization, and of such officials and citizens who have broad knowledge of, or expertise in the arts.

Regulations.

(e) The Secretary, in cooperation with the Chairman, shall prescribe regulations which require that specific portions of the cost of any projects assisted under this title shall be provided from sources other than funds made available under this title. Such matching requirements may vary depending on the type of applicant, and the Secretary may reduce or waive such requirements solely in order to take account of the financial capacity of the applicant.

Reduction or waiver.

Certification.

(f) Grants and other assistance may be made available under this title only if the application contains a certification by the unit of general local government in which the project will be located that the project is consistent with and supportive of the objectives of that government for the area in which the project is located.

(g) Funds made available under this title shall not be used to sup-

plant other public or private funds.

(h) No more than 10 per centum of the funds appropriated for any fiscal year under section 807 shall be available for administrative expenses.

COORDINATION AND DEVELOPMENT OF PROGRAM WITH OTHER FEDERAL AND NONFEDERAL PROGRAMS

42 USC 8145.

SEC. 806. The Secretary shall coordinate the administration of the provisions of this title in cooperation with other Federal agencies and assure that projects assisted under this title are coordinated with efforts undertaken by State and local public and private entities, including arts organizations.

AUTHORIZATION OF APPROPRIATIONS

42 USC 8146.

Sec. 807. There are authorized to be appropriated for earrying out the purposes of this title not to exceed \$5,000,000 for fiscal year 1979, and not to exceed \$10,000,000 for fiscal year 1980. Any amounts appropriated under this section shall remain available until expended.

TITLE IX-MISCELLANEOUS

REPORT ON MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

42 USC 5425.

Sec. 901. (a) The first sentence of section 626(a) of the National Mobile Home Construction and Safety Standards Act of 1974 is amended—

(1) by striking out "March 1 of each year" and inserting in lieu thereof "July 1 of every other year beginning with calendar year 1978"; and

(2) by striking out "preceding calendar year" and inserting in lieuthereof "two preceding calendar years".

(b) The second sentence of section 626(a) of such Act is amended by striking out "such year" in clauses (1), (2), and (5) and "the year" in clause (6) and inserting in lieu thereof "such years" in each such clause.

STATEMENT OF POLICY AND STUDY ON HOUSING DISPLACEMENT

Sec. 902. The Congress declares that in the administration of Fed- 42 USC 5313. eral housing and community development programs, consistent with other program goals and objectives involuntary displacement of persons from their homes and neighborhoods should be minimized. In Report to furtherance of the objective stated in the preceding sentence, the Sec- Congress. retary of Housing and Urban Development shall conduct a study on the nature and extent of such displacement, and, not later than January 31, 1979, shall report to the Congress on recommendations for the formulation of a national policy to minimize involuntary displacement caused by the implementation of the Department's programs, and to alleviate the problems caused by displacement of residents of the Nation's cities due to residential and commercial development and housing rehabilitation, both publicly and privately financed. In carrying out such study, the Secretary shall (1) consult with representatives of affected public interest groups, government, and the development and lending industries; (2) provide data on the nature and scope of the displacement problem, both past and projected, and identify steps needed to improve the availability of such data; and (3) report fully on the current legal and regulatory powers and policies of the Department to prevent or compensate for displacement caused by its own programs.

REHABILITATION GUIDELINES

Sec. 903. Title V of the Housing and Urban Development Act of 1970 is amended by adding at the end thereof the following:

"REHABILITATION GUIDELINES

"Sec. 511. (a) (1) The Secretary shall develop model rehabilitation 12 USC guidelines for the voluntary adoption by States and communities to be used in conjunction with existing building codes by State and local officials in the inspection and approval of rehabilitated properties.

"(2) Such guidelines shall be developed in consultation with the Consultation. National Institute of Building Sciences, appropriate national organizations of agencies and officials of State and local governments, representatives of the building industry, and consumer groups, and other interested parties.

"(3) The Secretary shall publish such guidelines for public com- Publication. ment not later than one year after the date of enactment of this section, and promulgate them no later than eighteen months after such date of enactment.

"(4) The Secretary may furnish technical assistance to State and local governments to facilitate the use and implementation of such guidelines.

"(b) The Secretary shall report to Congress not later than thirtysix months after the date of enactment of this section regarding (1) actions taken by State and local governments to adopt guidelines or their equivalents, and (2) recommendations for further action.".

1701z-10.

Report to Congress.

ALASKA HOUSING PROGRAM

Sec. 904. (a) Subsection (a) of section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read 42 USC 3371. as follows:

"(a) The Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary') may make loans and grants on

Loans and grants.

the basis of need to the regional native housing authorities duly constituted under the laws of the State of Alaska for the purpose of providing planning assistance, housing rehabilitation, and maintaining an adequate administrative structure in conjunction with the provision of housing and related facilities for Alaska residents.".

(b) Subsection (b) of such section is amended by inserting before the period at the end thereof the following: ", except that the Secretary may make a grant in excess of such limitation in any case, after

consultation with State officials".

PAPERWORK REDUCTION

42 USC 3540.

Sec. 905. (a) The Congress finds and declares-

(1) that various departments, agencies, and instrumentalities of the Federal Government with responsibilities involving housing and housing finance programs, require, approve, use or otherwise employ a variety of different forms as residential mortgages (or deeds of trust or similar security instruments) as notes secured by those mortgages, and for applications, appraisals and other purposes, and that such duplication of forms constitutes a paperwork burden that adds to the costs imposed on the Nation's homeowners and home buyers:

(2) that unnecessary paperwork impairs the effectiveness of

Federal housing and housing finance programs;

(3) that both single-family and multi-family programs are

affected; and

(4) that simplification of paperwork imposed by Federal housing and housing finance programs would contribute to achieving

the Nation's housing goals by reducing housing costs.

(b) (1) Insofar as it is practicable and to the extent permitted by law and to the extent that such action would result in a reduction in paperwork and regulatory burden, the Department of Housing and Urban Development and the Veterans' Administration shall employ in their respective programs-

(A) uniform single-family and multi-family note and mortgage

forms;

(B) a uniform application form for mortgage approval and commitment for mortgage insurance;

(C) a uniform form for computation of the monthly net effective income of applicants;

(D) a uniform property appraisal form;

(E) a uniform settlement statement which shall satisfy the requirements of the Real Estate Settlement Procedures Act; and

(F) such other consolidated or simplified forms, the consolidation or simplification of which the Secretary of Housing and Urban Development and the Administrator of Veterans' Affairs mutually agree would contribute to a reduction in the paperwork and regulatory burden of housing and housing finance programs administered by the agencies.

(2) Each agency may employ riders, addenda, or similar forms of modification agreements to adapt such uniform forms to its respective programs and policies, consistent with the goals of minimizing the use and extent of such modification agreements and maximizing the suitability of such forms for the use of all participants, public and private.

(3) To the extent permitted by law, the President may require the Farmers Home Administration and the Administrator of the Farmers Home Administration to comply with the requirements of this section if such compliance will contribute to a reduction in the paperwork and regulatory burden of housing and housing finance programs adminis-

tered by the agency.

(c) The Director of the Office of Management and Budget shall coordinate and monitor the development and implementation by Fed. eral departments and agencies of the efforts required by subsection (b) and shall report to the Congress on such development and implementation as part of each report required under Public Law 93-556.

Implementation, report to Congress.

HOUSING PRODUCTION REPORT

Sec. 906. Section 1603 of the Housing and Urban Development Act of 1968 is amended to read as follows:

42 USC 1441c.

"REPORT ON GOALS

"Sec. 1603. Not later than January 20 of each year, the President Transmittal to

shall transmit to the Congress a report which-

"(1) reviews the progress made in achieving housing production objectives during the preceding year, and in the event that proposed objectives are not achieved, identifies the reasons for the failure;

"(2) projects the level, composition, and general location of production and rehabilitation activity during the current year, and

reassesses the availability of required resources;

"(3) specifies Federal programs and policies to be implemented

or recommended in order to achieve the objective;

"(4) updates estimates of the housing needs of lower income families, analyzing these needs, insofar as possible, by type of household, housing need, including households with specialized needs, and general location, and in addition, reassesses the capacity of each Federal housing program to serve the needs identified;

"(5) reviews the progress made in achieving goals of conserving and upgrading older housing and neighborhoods, expanding homeownership and equal housing opportunities, and assuring reason-

able shelter costs;

"(6) reports on progress made toward developing new methods for measuring and monitoring progress in achieving these goals;

and

"(7) identifies legislative and administrative actions which will or should be adopted or implemented during the current year to support achievement of the goals.".

AMENDMENTS TO INTERSTATE LAND SALES FULL DISCLOSURE ACT

Sec. 907. (a) Section 1403(a) of the Interstate Land Sales Full Disclosure Act is amended—

(1) by inserting "condominium," after "commercial." in clause

(3);

(2) by inserting after "'adverse claims' do not refer to" in clause (10) the following: "United States land patents or Federal grants and reservations similar to United States land patents, nor to"; and

Congress.

15 USC 1702.

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(3) by striking out the matter which precedes "when-" in

clause (11) and inserting in lieu thereof the following:

"(11) the sale or lease of real estate which is zoned by the appropriate governmental authority for industrial or commercial development or which is restricted to such use by a declaration of covenants, conditions, and restrictions which has been recorded in the official records of the city or county in which such real estate is located.".

estate is located, . (b) Section 1403 of such Act is amended—

(1) by redesignating subsection (b) as subsection (c); and (2) by inserting after subsection (a) thereof the following:

"(b) Unless the method of disposition is adopted by the purpose of evasion of this title, the requirements of sections 1405 through 1408 shall not apply to the sale or lease of a lot which is located within a municipality or county where a unit of local government specifies minimum standards for the development of subdivision lots taking place within its boundaries, when—

"(1) the subdivision meets all local codes and standards and is either zoned for single family residences or, in the absence of a zoning ordinance, is limited exclusively to single family

residences;

"(2) the lot is situated on a paved, public street or highway which has been built to a standard acceptable to the unit of local government in which the subdivision is located or a bond or other surety acceptable to the municipality or county in the full amount of the cost of the improvements has been posted to assure completion to such standards and the unit of local government has accepted or is obligated to accept the responsibility of maintaining

the public street or highway;

"(3) at the time of closing, potable water, sanitary sewage disposal, and electricity have been extended to the lot or the unit of local government is obligated to install such facilities within 180 days. For subdivisions which do not have a central water or sewage disposal system, rather than installation of water or sewer facilities, there must be assurances that an adequate potable water supply is available year-round and that the lot is approved for the installation of a septic tank;

"(4) the contract of sale requires delivery of a warranty deed to the purchaser within 180 days after the signing of the sales

contract;

"(5) a policy of title insurance is issued in connection with the transaction showing that, at the time of closing, title to the lot purchased or leased is vested in the seller or lessor subject only to such exceptions as may be approved in writing by the purchaser or lessee prior to recordation of the deed or execution of the lease;

"(6) each and every purchaser or spouse has made a personal, on the lot inspection of the lot purchased or leased, prior to signing

of a contract to purchase or lease; and

"(7) there are no direct mail or telephone solicitations or offers of gifts, trips, dinners, or other such promotional techniques to induce prospective purchasers or lessees to visit the subdivision or to purchase or lease a lot.".

15 USC 1702.

15 USC 1704-1407.

COST-BENEFIT ANALYSIS OF FIELD REORGANIZATIONS

Sec. 908. Section 7 of the Department of Housing and Urban Development Act is amended by adding at the end thereof the following:

42 USC 3535.

"(p) A plan for the reorganization of any regional, area, insuring, or other field office of the Department of Housing and Urban Development may take effect only upon the expiration of 90 days after publication in the Federal Register of a cost-benefit analysis of the effect of the plan on each office involved. Such cost-benefit analysis shall include but not be limited to—

"(1) an estimate of cost savings supported by background information detailing the source and substantiating the amount of the

savings;

"(2) an estimate of the additional cost which will result from

the reorganization;

"(3) a study of the impact on the local economy; and

"(4) an estimate of the effect of the reorganization on the availability, accessibility, and quality of services provided for recipients of those services.

where any of the above factors cannot be quantified, the Secretary shall provide a statement on the nature and extent of those factors in the cost-benefit analysis.".

Approved October 31, 1978.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 95-1161, accompanying H.R. 12433 (Comm. on Banking, Finance, and Urban Affairs) and No. 95-1792 (Comm. of Conference).

SENATE REPORT No. 95–871 (Comm. on Banking, Housing, and Urban Affairs). CONGRESSIONAL RECORD, Vol. 124 (1978):

July 19, 20, considered and passed Senate.

June 23, 28, 29, July 20, 21, H.R. 12433 considered and passed House. July 24, considered and passed House, amended, in lieu of H.R. 12433.

Oct. 14, Senate agreed to conference report. Oct. 15, House agreed to conference report.

SUMMARY OF THE HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

The "Housing and Community Development Amendments of 1978" is omnibus legislation which makes a number of significant changes in the Nation's housing and community development and related authorities. The new law contains nine titles as follows:

- Community and Neighborhood Development and Conservation (Title I)
- Housing Assistance Programs (Title II)
- Program Amendments and Extensions (Title III)
- Congregate Services (Title IV)
- Rural Housing (Title V)
- Neighborhood Reinvestment Corporation (Title VI)
- Neighborhood Self-Help Development (Title VII)
- Livable Cities (Title VIII)
- Miscellaneous (Title IX)

COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION (TITLE I)

Title I authorizes appropriations for fiscal year 1979 for the section 312 rehabilitation loan and urban homesteading programs. It also makes a number of substantive changes in these authorities, as well as in the community development block grant program authorized by title I of the Housing and Community Development Act of 1974, and substantially revises the rehabilitation loan insurance authority contained in section 203(k) of the National Housing Act. The major features of title I are as follows.

Section 312 Rehabilitation Loan Program

Authorization of appropriations. The new law authorizes appropriations of not to exceed \$245 million for fiscal year 1979 for the section 312 rehabilitation loan program. This amount was requested as part of the President's Urban Policy Recommendations.

Limitation on amounts available for multifamily properties. The new law prohibits more than \$60 million of amounts available for section 312 loans for fiscal year 1979 from being used in connection with multifamily properties.

Increased loan amounts for nonresidential properties. The new law increases, from \$50,000 to \$100,000, the maximum loan amount applicable to nonresidential properties under section 312.

Loan priority. The new law requires the Secretary to give priority to section 312 loan applications by lowand moderate-income persons—defined as those whose incomes do not exceed 95 percent of the area median—including applications by condominiums and cooperatives whose residents are principally of low and moderate income.

Flexible interest rate. The new law permits HUD to set the interest rate on section 312 loans to families with adjusted incomes above 80 percent of the area median, as determined by HUD, higher than the present 3 percent statutory maximum, but not in excess of the Treasury rate on comparable U.S. obligations. The present 3 percent ceiling is retained for loans to families with adjusted incomes of 80 percent of area median or less. The Secretary is authorized to prescribe such other charges as may be deemed adequate to cover administrative costs and possible losses under the program.

Limitations and conditions on loans for multifamily properties. The new law imposes a number of additional limitations and conditions on section 312 loans made with respect to multifamily properties. These include requirements that:

- the property be located in a low- or moderate-income neighborhood or have a majority of tenants of low and moderate income;
- the loan be consistent with an overall community development strategy developed pursuant to title I of the Housing and Community Development Act of 1974;
- the property have fewer than 100 units, except where the Secretary determines that a loan is essential
 to meet the community development needs of a neighborhood and alternative sources of financing are
 not available:
- the Secretary enter into an agreement with the investor-owner to limit, for a period of at least five years, the increased rent caused by the rehabilitation; and
- the Secretary minimize involuntary displacement caused by rehabilitation loans under this section with respect to multifamily properties.

Reports to Congress. The new law requires HUD to report to Congress on the section 312 program in conjunction with the annual reports on the block grant program required by section 113(a) of the Housing and Community Development Act of 1974. The report is to include a summary of the use of section 312 funds, particularly with regard to the types of neighborhoods and persons aided, and an evaluation of progress made toward community development goals under section 312. The new law also requires HUD, as soon as feasible, but not later than December 1, 1979, to submit to Congress an interim report evaluating the use of section 312 funds for multifamily properties, with legislative recommendations for improving the overall effectiveness of Federal assistance for the rehabilitation of multifamily properties.

Use of loans for refinancing. Existing law permits that amount of a section 312 loan which equals the difference between the cost of rehabilitation and the otherwise applicable loan maximum to be used for refinancing existing indebtedness in certain circumstances. The new law also permits this amount to be used for refinancing, where HUD determines it to be necessary to minimize displacement of existing tenants of a multifamily property.

Energy conservation standards. The new law prohibits any section 312 loans after 270 days following enactment of the law, unless HUD determines that the improvements to the property upon completion of the rehabilitation will meet cost-effective energy conservation standards set by HUD.

Urban Homesteading Program

Authorization of appropriations. The new law authorizes the appropriation of \$26 million for fiscal year 1979 for the urban homesteading program contained in section 810 of the Housing and Community Development Act of 1974.

Veterans Administration properties. The new law requires the VA to furnish, upon the request of specified public entities, a listing of all unoccupied 1-4 family residences to which the VA holds title and which are located within an entity's geographic jurisdiction.

Community Development Block Grant Program

Relocation payments. The new law makes relocation payments and assistance for displacees an eligible community development program activity under section 105(a)(11) of the Housing and Community Development Act of 1974, where determined by the grantee to be appropriate to its community development program. Existing law makes such assistance eligible only where displacement is a result of activities assisted under the block grant program.

Smaller communities. The new law prohibits communities from being barred from participating in any program authorized under title I of the Housing and Community Development Act of 1974 solely on the basis of population, except as expressly authorized by statute.

Secretary's Discretionary Fund—technical assistance. The new law makes clear that the Secretary may provide technical assistance from the Secretary's Discretionary Fund under section 107(a)(8) of the Housing and Community Development Act of 1974, directly or through contracts, to States, units of general local government, Indian tribes or areawide planning organizations, or to a group designated by such a government unit for the purpose of assisting it to carry out its Community Development Program.

Housing Assistance Plans—upgrading of existing units. The new law requires communities, in developing annual goals as part of their HAPs, to include the relative proportion of existing rental and owner-occupied units to be upgraded and thereby preserved.

Housing Assistance Plans—assessment of housing assistance needs. The new law requires the assessment of housing assistance needs in HAPs to include the needs of owners of homes requiring rehabilitation assistance.

Application disapproval. The new law prohibits the Secretary from disapproving an application on the basis that it addresses any one of the block grant program's primary purposes—that assisted activities principally benefit persons of low and moderate income or aid in the prevention or elimination of slums or blight or meet other community development needs having a particular urgency—to a greater or lesser degree than any other. An application can be disapproved, however, if the Secretary determines that the extent to which a primary purpose is addressed is plainly inappropriate to meeting the needs and objectives which are consistent with the community's efforts to achieve the block grant program's primary objective—the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

"Expected to Reside" requirements. Prior law required block grant applications to describe a program to improve conditions for "low- and moderate-income persons expected to reside" in the community, and to include in HAPs an assessment of the housing assistance needs of certain persons "expected to reside" in the community. The new law provides that these "expected to reside" determinations are to be made on the basis of existing or projected employment opportunities in the community (and those elderly persons residing in or expected to reside in the community), or as estimated in a community-accepted State or regional housing opportunity plan approved by the Secretary.

Impact of the Urban Development Action Grant Program on residents. The new law requires Urban Development Action Grant applications to analyze, and the Secretary to use as an Action Grant selection criterion, the impact of the proposed Action Grant Program on the residents of the neighborhood, particularly those of low and moderate income, and on the neighborhood, in which the program is to be located.

Insurance of Rehabilitation Loans

The new law makes substantial changes in section 203(k) of the National Housing Act. The revised provision authorizes HUD to insure, on or after 180 days of enactment of the law, loans made by financial institutions for the rehabilitation of one- to four-family properties to be used primarily for residential purposes. Insurance terms are to be set by HUD and must be consistent with section 203(b), (c), (e), (i) and (j), except as modified by the revised authority. Other program features are as follows.

Definitions. For purposes of the revised authority, "rehabilitation loan" means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit, made for the purpose of financing:

- the rehabilitation of an existing one- to four-unit structure which will be used primarily for residential purposes;
- the rehabilitation of such a structure and the refinancing of the outstanding indebtedness on the structure and the real property on which it is located; and
- the rehabilitation of such a structure and the purchase of the structure and the real property on which it
 is located.

"Rehabilitation" means the improvement (including improvements designed to meet cost-effective energy conservation standards prescribed by the Secretary) or repair of a structure, or facilities in connection with a structure, and can include the provision of such sanitary or other facilities as are required by applicable codes, a community development plan, or a statewide property insurance plan to be provided by the owner or tenant of the project.

Eligibility for insurance. An eligible rehabilitation loan must:

- involve a principal obligation (including such initial service charges, appraisal, inspection and other fees as the Secretary approves) in an amount not exceeding, when added to any outstanding indebtedness of the borrower which is secured by the structure and the property on which it is located, the amount specified in section 203(b)(2) (presently \$60,000 in the case of a one-family unit, \$65,000 in the case of two- and three-family units, and \$75,000 for four-family residences); in determining the amount of the principal obligation, the Secretary must establish as the appraised value of the property an amount not to exceed the sum of the estimated cost of rehabilitation and the Secretary's estimate of the value of the property before rehabilitation;
- bear interest at a rate permitted by the Secretary for mortgages insured under section 203, except that
 the Secretary may permit a higher rate of interest to be applied to the loan with respect to the period
 beginning with the making of the loan and ending with the completion of the rehabilitation or such
 earlier time as the Secretary may determine;
- · be an acceptable risk, as determined by the Secretary; and
- comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

Refinancing and extension of insured loans. Loans insured under this authority may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term which exceeds the maximum provided for in the revised authority.

General Insurance Fund. All funds received and all disbursements made pursuant to the revised authority are to be credited or charged to the General Insurance Fund, and insurance benefits will be paid in cash out of, or in debentures executed in the name of, such Fund.

Insurance premium. The revised authority permits insurance premiums in connection with loans insured under the program to vary from other premiums set under section 203; but no such charge may exceed 1 percent per annum.

GNMA purchase of insured loans. The new law removes loans under the revised authority from the limitation of principal obligations generally applicable to mortgage and loan purchases under section 305 of the National Housing Act (GNMA special assistance). These limits currently are \$55,000 for one-family residences, \$60,000 for two- and three-family residences, and \$68,750 for four-family residences.

Effective Date

The amendments made by title I are effective on October 1, 1978.

HOUSING ASSISTANCE AND RELATED PROGRAMS (TITLE II)

Operating Subsidies for Troubled Multifamily Housing Projects

The new law establishes a new program, under which the Secretary may provide assistance payments to owners of certain troubled multifamily housing projects. The purpose of this program is to assist in improving the management and to restore or maintain the financial soundness of these projects, and to maintain their low- to moderate-income character.

Project eligibility. To be eligible for assistance under the new program, a project must be a rental or cooperative project which:

- is assisted under the section 236 or the section 221(d)(3) BMIR program of the National Housing Act or under the rent supplement program under section 101 of the Housing and Urban Development Act of 1965; or
 - had formerly met the above criteria before acquisition by the Secretary and has been sold by the
 Secretary, subject to a mortgage insured or held by the Secretary and subject to an agreement which
 provides that the low- and moderate-income character of the project will be maintained. The agreement
 must be in effect during the period of assistance under the new program.

All projects also must meet such other requirements as the Secretary may provide. In addition, no assistance may be provided before October 1, 1979 for projects not insured under the National Housing Act, and assistance payments may be provided for projects sold by the Secretary after October 1, 1978 only for a period of not to exceed three years.

Secretarial determinations. Before making any assistance available, the Secretary also is required to make the following determinations:

- the assistance, when considered with other resources available to the project, is necessary and will restore or maintain the financial soundness of the project and maintain its low- and moderate-income character;
- the assistance which could reasonably be expected to be provided over the useful life of the project will be less costly to the Federal Government than other reasonable alternatives for maintaining the project's low- and moderate-income character;
- the project owner (and the mortgagee, in the case of a noninsured project) has provided or has agreed to provide assistance to the project in a manner determined by the Secretary;

- the project is or can reasonably be made to be structurally sound, as determined as a result of an onsite inspection;
- the project is being managed by persons who meet reasonable levels of competency and experience prescribed by the Secretary; and
- the project is being operated and managed in accordance with a management-improvement-andoperating plan for reducing operating costs which has been approved by the Secretary and which includes specified items.

The management-improvement-and-operating plan approved by the Secretary must include a detailed maintenance schedule; a schedule for correcting past deficiencies in maintenance, repairs, and replacements; a plan to upgrade the project to meet cost-effective energy efficiency standards prescribed by the Secretary; a plan to improve financial and management control systems; a detailed annual operating budget which takes into account standards for operating costs in the area as determined by the Secretary; and other requirements determined by the Secretary.

Consultation with localities. Prior to making assistance available to a project, the Secretary is directed to consult with the appropriate officials of the unit of general local government in which the project is located to seek assurances that the local community is committed to providing essential services to the project, that the real estate taxes on the project are or will be no greater than if the property were assessed consistent with normal assessment procedures for the community, and that assistance to the project would not be inconsistent with local plans.

Frequency and computation of payments. Assistance payments are to be made on an annual basis, payable at such intervals, but at least quarterly, as the Secretary may determine. Assistance may be provided in any amount which the Secretary determines is consistent with the project's management-improvement-and-operating plan. However, it may not exceed the sum of:

- an amount which the Secretary determines to be necessary to correct project deficiencies existing at
 the beginning of the first year for which assistance is provided under the new program, which are due
 to deferral of regularly scheduled maintenance and repairs or failure to make necessary and timely
 replacements of equipment and other components of the project, and for which payment has not
 previously been made;
- an amount which the Secretary determines to be necessary to maintain the low- and moderate-income character of the project by reducing deficiencies, existing at the beginning of the first year of assistance and for which payment has not previously been made, in the reserve fund established by the project owner for replacing capital items; and
- an amount not greater than the amount by which the estimated operating expenses for the year for which assistance is provided exceeds the estimated revenues to be received by the project for that year.

For purposes of the new program, "estimated revenues" must be equal to the sum of:

- the estimated rent to be expended by the tenants of the project for the year for which assistance is provided, determined without regard to the provisions of section 236(f)(1) of the National Housing Act regarding establishment of rental charges;
- the estimated amount of rental assistance payments to be made on behalf of the tenants for that year, other than assistance provided under the new program;
- the estimated amount of assistance payments to be made on behalf of the project owner under the sections 221(d)(3) BMIR or 236 programs of the National Housing Act; and
- · other income attributable to the project as determined by the Secretary.

The "estimated amount of rent to be expended by tenants" must include at least 25 percent of the income of each tenant, or a lesser percentage where the tenant pays his or her utilities or where a lesser percentage is provided for under any other Federal housing assistance program in which the tenant is participating. However, no amount may be included with respect to any tenant which exceeds the fair market rental charge determined under section 236(f)(1) for that tenant.

Computation of the "estimated amount of rent," and of the "estimated amount of rental assistance payments" to be made on behalf of the tenants, may include a delinquency and vacancy allowance of not more than 6 percent of the estimated amount of rent and payments computed without regard to the

allowance. The Secretary may permit a larger allowance in the first three years of assistance to a project if he or she deems it appropriate to carry out the purposes of the new program.

"Estimated operating expenses" with respect to any year must include all estimated operating costs which the Secretary determines to be necessary and consistent with the management improvement and operating plan for the project for that year. These include, but are not limited to, taxes, utilities, maintenance and repairs, management, insurance, debt service, and payments by the project owner for a reserve fund for replacement costs. However, "estimated operating expenses" may not include costs of maintenance and repairs which should have been performed in previous years or any return on an owner's equity investment in the project.

The Secretary is required to review operations of the project at the time of payment (i.e., at least quarterly) to determine that project operations are consistent with the management-improvement-and-operating plan.

Rules and regulations. The Secretary is authorized to issue such rules and regulations as may be necessary to carry out the program, including regulations requiring the establishment of a project reserve or other safeguards which the Secretary determines to be necessary for the financial soundness of any project.

Funding. An appropriation of not to exceed \$74 million is authorized for providing financial assistance under the new program in fiscal year 1979, and any amounts so appropriated will remain available until expended. However, financial assistance may be made available under the program only to the extent and in such amounts as may be approved in appropriations Acts.

In addition to the \$74 million authorization, all rental charges in excess of the basic rental charges credited on or after October 1, 1978 to the reserve fund originally established under section 236(g) of the National Housing Act for the purpose of making section 236 tax and utility subsidy payments are to be used solely for carrying out the new program. However, no payments may be made from the reserve fund for purposes of the new program unless approved in an appropriation Act, and the new law prohibits any such approval for any fiscal year after fiscal year 1979.

Other changes to section 236. The new law also makes a number of technical changes to section 236 to accommodate operations under the new operating subsidy program.

Tenant Participation in Multifamily Housing Projects

The new law contains provisions designed to recognize the importance and benefits of cooperation and participation of tenants in creating a suitable living environment in multifamily housing projects and in contributing to the successful operation of such projects, including their good physical condition, proper maintenance, security, energy efficiency, and control of operating costs. For purposes of these requirements, a "multifamily housing project" means a project which is eligible for assistance as described in the new program of operating subsidies for troubled multifamily projects discussed above.

In connection with these projects the Secretary is directed to assure that:

- where the Secretary's written approval is required with respect to a project owner's action and the Secretary deems it appropriate, tenants have adequate notice of, reasonable access to relevant information about, and an opportunity to comment on, such actions (including any proposed disposition of a HUD-owned property), and that these comments are taken into consideration by the Secretary;
- project owners do not interfere with the efforts of tenants to obtain rent subsidies or other public assistance;
- leases approved by the Secretary provide that tenants may not be evicted without good cause or without adequate notice of the reasons for the eviction, and do not contain unreasonable terms and conditions; and
- project owners do not impede the reasonable efforts of resident tenant organizations to represent their members or the reasonable efforts of tenants to organize.

The Secretary must promulgate regulations to carry out these provisions not later than 90 days after enactment of the new law.

Management and Preservation of HUD-Owned Multifamily Housing Projects

Policy and Purpose. The new law establishes requirements for the management and disposition of certain multifamily housing projects which are owned by the Secretary, and declares the national policy that the Secretary shall manage and dispose of these projects in a manner consistent with the National Housing Act and these new requirements. It declares that the purpose of HUD's property management and disposition program shall be to manage and dispose of projects in a manner which will protect the financial interests of the Federal Government and be less costly to the Federal Government than other reasonable alternatives for furthering the goals of preserving the housing units so that they remain available to and affordable by low-and moderate-income families, maintaining existing housing stock in a decent, safe, and sanitary condition, preserving and revitalizing residential neighborhoods, and minimizing the involuntary displacement of tenants and the need to demolish projects.

Applicability. These new requirements apply to a multifamily housing project which is, or prior to acquisition by the Secretary was, assisted under the sections 236 or 221(dl(3) BMIR programs under the National Housing Act or under the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, and which is insured under the National Housing Act.

Management and disposition of projects. The Secretary, in determining the manner in which a project shall be managed or disposed of, may balance competing goals relating to individual projects in a manner which will further the achievement of the overall purpose of HUD's property management and disposition program.

In carrying out these provisions, the Secretary may dispose of a multifamily housing project owned by the Secretary on a negotiated, competitive bid, or other basis on such terms as the Secretary deems appropriate, considering the low- and moderate-income character of the project and the purpose of the property management and disposition program. The purchaser of such a project must be determined by the Secretary to be capable of satisfying the conditions of the disposition, of implementing a sound financial and physical management program, of responding to the needs of the tenants and working cooperatively with resident organizations, of providing adequate organizational, staff and financial resources to the project, and of meeting such other requirements as the Secretary may determine. The Secretary also may contract for management services for a HUD-owned multifamily housing project on a negotiated, competitive bid, or other basis at a price determined by the Secretary to be reasonable. The manager must be determined by the Secretary to be capable of satisfying requirements similar to those imposed with respect to purchasers, except with regard to requirements regarding the conditions of disposition.

Maintenance of projects. Except where the Secretary has determined on a case by case basis that it would be clearly inappropriate, given the manner in which an individual project is to be managed or disposed of in accordance with the new requirements, the Secretary must seek to maintain all occupied HUD-owned multifamily housing projects in a decent, safe and sanitary condition and, to the greatest extent possible, maintain full occupancy in such projects.

Displacement. Whenever tenants will be displaced as a result of the disposition of, or repairs to, a HUDowned multifamily housing project, the Secretary must identify tenants who will be displaced, and must notify all such tenants of their pending displacement and of any relocation assistance which may be available. The Secretary also must seek to assure maximum opportunity for any displaced tenant to return, whenever possible, to a repaired unit, to occupy a unit in another HUD-owned multifamily housing project, to obtain housing assistance under the United States Housing Act of 1937, or to receive any other available relocation assistance the Secretary determines to be appropriate.

Partial payment in lieu of assignment. Whenever the Secretary is requested to accept assignment of a mortgage insured by the Secretary which covers a multifamily housing project, and the Secretary determines that partial payment would be less costly to the Federal Government than other reasonable alternatives for maintaining the low- and moderate-income character of the project, the Secretary may, notwithstanding any other provision of law, request the mortgagee to accept, in lieu of assignment, partial payment of the claim under the mortgage insurance contract and to recast the mortgage, under such terms and conditions as the Secretary may determine. As a condition to a partial claim payment, the mortgagor must agree to repay to the

Secretary the amount of such payment and the obligation must be secured by a second mortgage on the property under such terms and conditions as the Secretary may determine.

Rules and regulations. The Secretary is directed to issue such rules and regulations as may be necessary to carry out these provisions within 90 days after the date of enactment of new law.

Housing Access by Section 8 Certificate Holders

The Secretary is directed to require any purchaser of a HUD-owned multifamily housing project sold on or after October 1, 1978, to agree not to refuse unreasonably to lease a vacant dwelling unit in the project which rents for an amount not greater than the fair market rent for a comparable unit in the area (as determined by the Secretary under the section 8 housing assistance payments program) to a holder of a certificate of eligibility under the section 8 program solely because of such prospective tenant's status as a certificate holder.

Housing for the Elderly and the Handicapped

The new law requires a portion of the funds available for loans for housing for the elderly and handicapped under section 202 of the Housing Act of 1959 to be used for developing innovative housing projects for the handicapped, and makes several other changes in the section 202 program.

Use of section 202 funds for projects for the handicapped. Of the amounts made available in appropriation Acts for section 202 loans for fiscal year 1979, not less than \$50 million shall be available for loans for development of rental housing and related facilities for handicapped (primarily non-elderly) persons.

The Secretary must assure that:

- these funds will be used to support innovative methods for meeting the needs of handicapped persons
 by providing a variety of housing options, ranging from small group homes to independent living complexes;
- the housing and facilities so assisted will provide the project's occupants with an assured range of services and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access to the community at large and to suitable employment opportunities within the community.

Elimination of the limitation on aggregate lending. The new law eliminates the former requirement that the limitation on aggregate lending for housing for the elderly or handicapped under the section 202 program to be established by appropriation Acts must be established on a fiscal year basis.

Inclusion of the cost of movables in development costs. The new law includes the costs of movables necessary for basic project operation in the definition of "development cost" under the section 202 program.

Definition of corporation. For purposes of eligibility under the section 202 program, the definition of corporation is revised to preclude the net earnings of any corporation from inuring to the benefit of any member, founder, contributor or individual, rather than to the benefit of any private shareholder, contributor, or individual as under prior law. In addition, the governing board of any corporation must be selected so as to assure significant representation of the views of the community in which the project is located, and the governing board must be responsible for the operation of the project assisted under the program. The requirement under prior law for the Secretary's approval as to the financial responsibility of the corporation is retained.

Public Housing and Section 8 Amendments

The new law provides additional funding authorizations for the public housing and the section 8 housing assistance payments programs and for public housing operating subsidies, establishes a new moderate rehabilitation category under the section 8 program and a new public housing security demonstration program, authorizes section 8 assistance for mobile homes, and makes a number of other changes regarding these programs. Specific changes are as follows:

Contract authority. Additional annual contributions contract authority of \$1,195,043,000 is authorized, subject to release in an appropriation Act, to be made available on October 1, 1978 for the public housing and the section 8 housing assistance payments programs.

New set-asides. Of the additional annual contributions contract authority provided for fiscal year 1979 and approved in appropriation Acts, not less than \$50 million must be made available for modernization of low-income housing projects.

Deletion of prior set-asides. Certain set-aside requirements applicable to additional annual contributions contract authority provided for fiscal years 1977 and 1978 are deleted as of October 1, 1978. These set-asides had required specified amounts to be made available for:

- modernization of low-income housing projects;
- low-income housing projects to be owned by public housing agencies other than under the section 8
 housing assistance payments program;
- low-income housing projects permanently financed by loans from State housing finance or State development agencies, and
- low-income housing projects permanently financed by loans for the elderly or handicapped pursuant to section 202 of the Housing Act of 1959.

Requirements for consistency with section 213 allocation formula and housing assistance plans. The new law makes applicable to the additional annual contributions contract authority provided on and after October 1, 1978, a requirement under section 5(c) of the United States Housing Act of 1937 that programs under that Act be administered to provide assistance for new, substantially rehabilitated, and existing units, to the maximum extent practicable and consistent with the allocation formula under section 213(d) of the Housing and Community Development Act of 1974, in accordance with the goals of the units of local government for such types of housing as reflected in their housing assistance plans prepared under section 104(a)(4) of that Act.

Operating subsidies. An additional authorization of \$729 million for operating subsidies for public housing projects is made available on or after October 1, 1978.

Limitation on single-person occupancy. The new law increases, from ten to fifteen percent, the limit on the percentage of units under the jurisdiction of any public housing agency assisted under the United States Housing Act of 1937 which may be occupied by single persons who are not elderly, handicapped, disabled, displaced, or a remaining member of a tenant family.

Moderate rehabilitation of section 8 units. The Secretary may, for the purpose of upgrading and preserving the Nation's housing stock, make assistance payments under the section 8 program pursuant to contracts with owners or prospective owners who agree to upgrade, through less than substantial rehabilitation, housing so as to make and keep such housing decent, safe and sanitary. The payments may be made directly or through public housing agencies. Payments also may be made for upgrading any unit in a housing project which, on an overall basis, reflects the need for upgrading. The Secretary is responsible for defining the terms "upgrading" and "less than substantial rehabilitation," and for prescribing such terms and conditions for contracts under the new authority as the Secretary determines to be necessary and appropriate. These terms and conditions must, to the maximum extent feasible, be consistent with the terms and conditions otherwise applicable with respect to other dwelling units assisted under the section 8 program.

Restrictions regarding substantially rehabilitated section 8 units. Contracts for section 8 assistance with respect to substantially rehabilitated units which are entered into on or after 270 days of the enactment of the new law must contain the following provisions:

the maximum monthly rent and the term of assistance may not exceed the maximum monthly rent ordinarily permitted under section 8 and the maximum term permitted for new or substantially
rehabilitated units under the section 8 program, or such lesser amount or term as the Secretary determines is appropriate, considering the owner's investment in the assisted units and other factors determined by the Secretary to be relevant;

- the assisted units must be rehabilitated to a level which meets but does not exceed applicable codes and standards for decent, safe and sanitary housing which are prescribed by the Secretary;
- all dwelling units in the structure in which the assisted units are located must meet such codes and standards; and
- assisted units must meet cost-effective energy efficiency standards prescribed by the Secretary.

Section 8 assistance for mobile homes. For the purpose of assisting lower-income families, the Secretary may enter into annual contributions contracts, directly with owners or through public housing agencies, to make rental assistance payments under the section 8 program to owners of property on which there is located a mobile home owned and utilized by a lower-income family as its principal residence.

Rental assistance contracts for such properties are required to establish the maximum monthly rent (including maintenance and management charges) which the owner is entitled to receive for each space upon which an assisted mobile home is located. The maximum rent cannot exceed by more than 10 percent the fair market monthly rent which the Secretary establishes, at least annually, with respect to the market area for the rental of real property suitable for occupancy by families assisted under this new authority. Adjustments in maximum monthly rents are to be accomplished in accordance with the requirements applicable to adjustments under other section 8 contracts. That is, adjustments must be made annually or more frequently to reflect changes in the housing market area for similar types and sizes of units, or, if the Secretary determines, on the basis of a reasonable formula. Also, special adjustments may be approved to cover increased taxes, utility rates, and similar costs to the extent not covered by the annual adjustment.

The maximum monthly assistance payment is to be the difference between 25 percent of 1/12th of the annual income of the assisted family, and the sum of (1) the monthly payment made by the family to amortize the cost of purchasing the mobile home, (2) monthly utility payments made by the family, subject to reasonable limitations prescribed by the Secretary, and (3) the maximum monthly rent allowable for the real property which is rented by the family for the purpose of locating its mobile home. In no case, however, may such assistance exceed the total amount of the maximum monthly rent.

The term of each contract for assistance payments may not be less than one month nor more than 180 months.

The Secretary may prescribe other terms and conditions which are necessary for carrying out, and consistent with the purposes of, this new authority.

Study to encourage increased use of section 8 for large families. The Secretary is required to conduct a study to examine alternative means of encouraging the development of housing to be assisted under the section 8 program for occupancy by large families which reside in areas with a low vacancy rate in rental housing. The Secretary is required to report to the Congress, not later than one year after enactment of the new law, for the purpose of providing legislative recommendations with respect to the study.

Public housing security demonstration. The new law declares it to be the policy of the United States to provide for a demonstration and evaluation of effective means of mitigating crime and vandalism in public housing projects in order to provide a safe living environment for project residents, and particularly elderly residents. It directs the Secretary to initiate and carry out promptly, during the fiscal year beginning on October 1, 1978, and to the extent approved in appropriation Acts, a program for the development, demonstration, and evaluation of improved, innovative community anti-crime and security methods, concepts and techniques which will mitigate the level of crime in public housing projects and their surrounding neighborhoods.

In selecting public housing projects to receive assistance under the demonstration, the Secretary is required to assure that a broad spectrum of project types, locations and tenant populations are represented, and to consider a number of specified factors. These factors include:

- · the extent of crime and vandalism currently existing in the projects;
- the extent, nature and quality of community anti-crime efforts in the projects and surrounding areas, and of the police and other protective services available to the projects and their tenants;
- the demand for public housing units in the locality;
- the vacancy rate and extent of abandonment of public housing units in the locality; and
- the characteristics and needs of the public housing tenants.

In selecting the anti-crime and security methods, concepts and techniques to be demonstrated, the Secretary is required to consider the improvement of physical security equipment for dwelling units in the

projects, social and environmental design improvements, tenant awareness and volunteer programs, tenant participation and employment in providing security services, and such other measures as the Secretary deems necessary or appropriate.

Particular attention must be given to comprehensive community anti-crime and security plans submitted by public housing authorities which provide for coordination between public housing management and local law enforcement officials, or which coordinate resources available to the community through programs funded by the Law Enforcement Assistance Administration, the Department of Health, Education and Welfare, the Department of Labor, the Community Services Administration, ACTION, or other Federal or State agencies. In addition, the Secretary is required, in carrying out the demonstration, to coordinate and jointly target resources with the specified Federal agencies.

The Secretary also is directed to initiate and carry out a survey of crime and vandalism existing in the Nation's public housing projects. The survey must include the nature, extent and impact of crime and vandalism and the nature and extent of resources currently available and employed to alleviate crime and vandalism in public housing.

The Secretary is required to report to the Congress, not later than 18 months after the date of enactment of the new law, on the results of the survey and on the findings from the demonstration and evaluation. The report also must include legislative recommendations, if appropriate, together with cost estimates, for a comprehensive program to increase security in public housing projects and for increasing coordination between anti-crime programs of other State and Federal agencies that may be used by public housing authorities.

Up to \$12 million of the additional annual contributions contract authority under section 5(c) of the United States Housing Act of 1937 approved in appropriation Acts for fiscal year 1979 may be utilized in that fiscal year for the establishment of the demonstration program.

Solar Energy Systems

The Secretary is directed, in carrying out programs and activities under the section 312 rehabilitation loan program, under the section 202 housing for the elderly and handicapped program, and under the section 8 housing assistance payments program, to permit the installation of solar energy systems which are cost-effective and economically feasible.

For these purposes, "solar energy system" is defined to mean any addition, alteration, or improvement to an existing or new structure which is designed to utilize wind energy or solar energy. It may be either of the active type based on mechanically forced energy transfer, or of the passive type based on convective, conductive or radiant energy transfer, or some combination of these types to reduce a structure's energy requirements from other energy sources. The system also must be in conformity with criteria and standards prescribed by the Secretary of HUD in consultation with the Secretary of Energy.

The Secretary is directed to take such steps as may be necessary to encourage the installment of costeffective and economically feasible solar energy systems in housing assisted under the sections 8, 312 and
202 programs, taking into account the interests of low-income homeowners and renters. These steps must include the implementation of a plan of action to publicize the availability and feasibility of solar energy systems
to current or potential recipients of assistance under these programs.

The Secretary is directed, in conjunction with the Secretary of Energy, to transmit to the Congress, within 18 months of enactment of the new law, a report specifying the number of solar units which were contracted for, installed, or on order during the first 12 calendar months after enactment of the new law. The report also must contain an analysis of any problems and benefits relating to encouraging the use of solar energy system in the programs specified above.

PROGRAM AMENDMENTS AND EXTENSIONS (TITLE III)

FHA Mortgage Insurance and Related Authorities

The new law extends and makes a variety of other changes in HUD/FHA mortgage insurance and related authorities. Specific changes include the following:

Extension of HUD/FHA insuring authorities. Authority to insure mortgages or loans under HUD/FHA mortgage insurance programs under the National Housing Act is extended for one year through September 30, 1979. The insuring authorities affected are:

- Title I property improvement and mobile home loan insurance;
- Section 203 basic home mortgage insurance;
- Section 207 rental housing insurance;
- Section 213 cooperative housing insurance;
- Section 220 rehabilitation and neighborhood conservation housing insurance;
- Section 221 housing for moderate-income and displaced families;
- Section 222 mortgage insurance for servicemen;
- Section 223 miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects;
- Section 231 housing for the elderly;
- Section 232-nursing homes;
- Section 233 experimental housing;
- Section 234 condominium insurance;
- Section 235 homeownership for lower-income families;
- Section 236 rental and cooperative housing for lower-income families;
- Section 237 special risk mortgages;
- Section 240 homeowner purchase of fee simple title;
- Section 241 supplemental loans for multifamily housing projects;
- Section 242 -- hospitals;
- Section 243 homeownership for middle-income families;
- Section 244 mortgage insurance on a co-insurance basis;
- Section 245 graduated payment mortgages;
- Title VIII armed forces related housing;
- Title X-land development; and
- Title XI group practice facilities.

Extension of flexible interest rate authority. The Secretary of HUD's authority administratively to set FHA maximum interest rates to meet the market at rates above the statutory maximum of 6 percent is extended for one year until October 1, 1979.

Limitation on Appropriations for the FHA General Insurance Fund. The present \$1.341 billion limitation on appropriations authorized to cover losses of the General Insurance Fund is increased by \$165 million as of October 1, 1978.

Increases in FHA maximum multifamily mortgage amounts. FHA maximum insurable mortgage amounts under the National Housing Act for certain multifamily projects are increased as follows:

Non-elevator

section 221(d)(3): Mortgage limits for multifamily structures for moderate-income or displaced families under the section 221(d)(3) program are increased from \$16,860 to \$21,563 for units without a bedroom, from \$18,648 to \$24,662 for one-bedroom units, from \$22,356 to \$29,984 for two-bedroom units, from \$28,152 to \$38,379 for three-bedroom units, and from \$31,884 to \$42,756 for units with four or more bedrooms.

Flevator

section 221(d)(3): Mortgage limits for elevator structures under the section 221(d)(3) program are increased from \$19,680 to \$22,692 for units without a bedroom, from \$22,356 to \$26,012 for onebedroom units, from \$26,496 to \$31,631 for two-bedroom units, from \$33,120 to \$40,919 for three-bedroom units, and from \$38,400 to \$44,917 for units with four or more bedrooms.

Non-elevator

section 221(d)(4): Mortgage limits for non-elevator structures for moderate-income or displaced families under the section 221(d)(4) program are increased from \$18,450 to \$19,406 for units without a bedroom, from \$20,625 to \$22,028 for one-bedroom units, from \$24,630 to \$26,625 for two-bedroom units, from \$29,640 to \$33,420 for three-bedroom units, and from \$34,846 to \$37,870 for units with four or more bedrooms.

Purchase of fee simple title—increased loan amount for properties in Hawaii. In the case of properties located in Hawaii, the maximum amount of a loan insurable under section 240 of the National Housing Act (purchase of fee simple title) is increased from \$10,000 to \$30,000.

Title I property improvement loans for multifamily structures. The following changes are made in the requirements regarding the mortgage amount and maturity of title I property improvement loans under the National Housing Act for an apartment house or dwelling for two or more families:

- The loan ceiling for property improvement loans is raised from \$25,000 to \$37,500.
- The per unit loan ceiling within this maximum is raised from \$5,000 to \$7,500 per unit.
- The maturity term for such property improvement loans is increased from 12 years and 32 days to 15
 years and 32 days.

Unit limitation for section 207 rental housing. The minimum number of family units which must be included in a property to be covered by a project mortgage insured under section 207 of the National Housing Act is reduced from eight to five.

Amount of bid in foreclosure sale of property covered by a section 241 supplemental loan. The Secretary may bid, in a foreclosure sale of a property covered by a senior non-FHA-insured mortgage or loan and a supplemental loan insured under section 241 of the National Housing Act and assigned to the Secretary, an amount (in addition to amounts authorized under section 207(k) of that Act as attributable to the junior lien) up to but not in excess of the total unpaid indebtedness secured by the senior mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses. If the Secretary acquires title to or is assigned a loan covering a project or facility which is subject to a non-FHA-insured mortgage, the Secretary may make payments from the General Insurance Fund on the debt secured by such mortgage, and may take such other steps as may be deemed appropriate to preserve or protect the Secretary's interest in the project or facility.

Mortgage insurance for nonresident care facilities. Nursing homes or intermediate care facilities covered by a mortgage insured under section 232 of the National Housing Act may include such additional facilities as the Secretary may authorize for the nonresident care of elderly individuals and others who are able to live independently but who require care during the day.

FHA-insured mortgage refinancing of hospitals. The Secretary's discretionary authority under section 223(f) of the National Housing Act to insure, under any section of title II of that Act, a mortgage executed in connection with the purchase or refinancing of an existing multifamily housing project, is expanded to include insurance of a mortgage executed in connection with the refinancing of the existing debt of an existing hospital.

The Secretary must prescribe terms and conditions to assure that the refinancing of a hospital will be used only to lower the monthly debt service costs, taking into account any fees or charges connected with the refinancing, that the proceeds of any refinancing will be employed only to retire the existing indebtedness and pay the necessary costs of refinancing, and that the existing hospital is economically viable. The Secretary also must prescribe terms and conditions to assure that the existing hospital has received such certification from the appropriate State agency designated under the Public Health Service Act as the Secretary deems necessary and appropriate and comparable to the certification required for hospitals insured under section 242 of the National Housing Act, and that such State agency also certifies that the services being provided by the hospital at the time of refinancing are appropriate as determined pursuant to section 1523(a)(6) of the Public Health Service Act.

Section 234 condominium mortgage insurance. The following changes are made in the Secretary's authority under the section 234 condominium mortgage insurance program under the National Housing Act:

- The Secretary may insure one-family condominium units in non-FHA insured multifamily projects containing 12 or more units if construction of the project was completed more than a year prior to the application for mortgage insurance.
- In the case of a veteran, the Secretary may insure the full amount of the first \$25,000 of the appraised value of a condominium unit (rather than 97 percent of such amount, as under prior law).

Sale of acquired property to cooperatives. The Secretary's authority under section 246 of the National Housing Act to accept a purchase money mortgage in connection with the sale of a HUD-acquired multifamily property to a cooperative is broadened to apply to sales to a nonprofit corporation operating as a consumer cooperative as defined by the Secretary. This authority is further broadened to permit the Secretary, upon the application of the mortgagee, to insure a mortgage in conjunction with such a sale upon such terms and conditions as the Secretary deems reasonable and appropriate.

The new law clarifies the Secretary's discretion to add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or to make such other provision for payment of such expenses and costs as the Secretary deems reasonable and appropriate.

Mortgage insurance of properties subject to secondary mortgages held by State or local agencies. The Secretary is prohibited from denying FHA mortgage insurance with respect to one- to four-family dwelling units solely because the dwelling unit will be subject to a secondary mortgage or loan made or insured, or other secondary lien held, by a State or local governmental agency or instrumentality under terms and conditions approved by the Secretary.

Secondary Market Authorities; Amendments to the Federal Home Loan Mortgage Corporation Act

Extension of Emergency Home Purchase Assistance Act. The Government National Mortgage Association's (GNMA) authority to enter into new commitments to purchase mortgages under the interim mortgage purchase authority of section 313 of the National Housing Act is extended until October 1, 1979.

Increase in GNMA mortgage purchase authority and limits. The following increases are made in the GNMA mortgage purchase authority and limits under section 305 of the National Housing Act (special assistance):

- The maximum original principal obligation of mortgages which may be purchased by GNMA under section 305 is increased to \$55,000 for a one-family residence; to \$60,000 for a two- or three-family residence; and to \$68,750 for a four-family residence. In the case of property containing more than four dwelling units, the maximum principal obligation is increased to \$38,000 per dwelling unit (\$45,000 in high cost areas) for that part of the property attributable to dwelling use.
- The total amount of GNMA purchases and commitments which could be authorized by the President pursuant to section 305 is increased by \$500 million as of October 1, 1978, subject to approval in an appropriation Act.

Amendments to the Federal Home Loan Mortgage Corporation Act. The following changes are made in the Federal Home Loan Mortgage Corporation Act:

- Mortgage lenders approved by the Secretary of HUD for participation in any mortgage insurance program under the National Housing Act may sell residential mortgages directly to the Federal Home Loan Mortgage Corporation (the "Corporation").
- The Corporation may establish requirements and impose charges or fees, which may be regarded as elements of pricing, for different classes of sellers or servicers. For such purposes, the Corporation may classify sellers or servicers according to type, size, location, assets or other necessary or appropriate basis or bases of differentiation as the Corporation may consider necessary or appropriate to effectuate the purposes or provisions of the Federal Home Loan Mortgage Corporation Act. Such requirements may address, among other things, minimum net worth, supervisory mechanisms, warranty compensation mechanisms, prior approval of facilities, prior origination and servicing experience with respect to different types of mortgages, capital contributions and substitutes, mortgage purchase volume limits,

and reduction of mortgage purchases during periods of borrowing. The Corporation is not required to make available to any particular type of seller programs involving prior approval of mortgages, optional delivery of mortgages, and purchase of other than conventional mortgages to a greater extent than it makes such programs available to other types of sellers. Any requirements so established by the Corporation must bear a rational relationship to the purposes or provisions of the Federal Home Loan Mortgage Corporation Act, but such requirements will not be considered discriminatory solely because of differential effects on types of eligible sellers. The Corporation is directed to make reasonable efforts to encourage participation in its programs by each type of eligible seller.

The above changes are to become effective 210 calendar days after enactment of the new law, but not before January 31, 1979, or on such earlier date as the Corporation may prescribe.

Sale of Surplus Federal Land for Housing

The new law would make the following modifications in the authority under which the Secretary may sell or lease, at its fair value for use, Federal surplus real property transferred by the General Services Administration to HUD.

Expanded use. Federal surplus real property may be sold or leased for providing housing to be occupied predominantly by families or individuals of low and moderate income, assisted under *any* Federal housing assistance program administered by the Secretary, or under a State or local program having the same general purpose, and for related public, commercial or industrial facilities approved by the Secretary. (Prior law allowed such property to be sold or leased only—rather than predominantly—for use in providing housing and related facilities for low- or moderate-income families or individuals under specified HUD or equivalent State or local programs in use in 1970. The restriction to specified programs precluded disposition for housing assisted under current programs which were not specified in the prior law.)

Disposition despite local objection. Provisions of prior law prohibiting disposition of Federal surplus property to a non-public body over local government objection are modified so as to allow such disposition, despite local government objections, where the Secretary determines that the proposed disposition would be consistent with any approved housing assistance and community development plans developed by the local governing body pursuant to the Housing and Community Development Act of 1974. Where such plans are not available, the Secretary must determine that there is a need for low- and moderate-income housing, taking into consideration any applicable State housing plans, and that there are available in the area public facilities and services adequate to serve any housing proposed in conjunction with the disposition.

Period during which property must be used for low- and moderate-income housing. In the case of disposition to an entity other than a public body, the Secretary must obtain undertakings to assure that the property transferred will be used, to the maximum practicable extent, for providing low- and moderate-income housing and related facilities for a period of not less than 30 years (rather than 40 years as under prior law).

Notification to Congress. Requirements under prior law for notification to the Congress of any disposition, or of approval of any change in the use of property disposed of, are deleted.

Research

The new law provides a funding authorization for HUD's research and development activities in fiscal year 1979, and provides for new demonstrations and studies.

Funding authorization. The appropriation of not to exceed \$62 million for fiscal year 1979 is authorized for HUD's research and development activities under title V of the Housing and Urban Development Act of 1970. 1970.

Multifamily conversion demonstrations. The Secretary is authorized to conduct demonstrations under title V to determine the feasibility of expanding homeownership opportunities in urban areas and of encouraging the creation and maintenance of decent, safe and sanitary housing in such areas. In conducting

these demonstrations, the Secretary may utilize techniques including, but not limited to, the conversion of multifamily housing properties to condominium or cooperative ownership by individuals and families.

Underground housing study. The Secretary is directed to conduct a study under title V of the feasibility of underground housing construction and of changes in housing codes and financing which may be necessary as a result of adoption of this method of construction. A report containing the findings and conclusions under the study, together with any legislative recommendations, must be transmitted to the Congress no later than one year after the date of enactment of the new law.

Comprehensive Planning

Funding authorization. The appropriation of not to exceed \$57 million for fiscal year 1979 is authorized for the section 701 comprehensive planning program.

Review of plans; reports on programs. Recipients of section 701 planning assistance are required to review their plans for necessary or desirable amendments, and to report to the Secretary on progress in meeting the plan's objectives and on any changes in the plans, at least every three years. Prior law required biennial review and reporting.

Definition of "Indian tribal group or body." For purposes of eligibility for section 701 planning assistance, the term "Indian tribal group or body" is defined to mean "any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512)." This definition conforms to the definition currently contained in title I of the Housing and Community Development Act of 1974 and in various other Federal statutes. Section 701 previously did not expressly define "Indian tribal group or body."

New Communities Special Planning Grant Authority.

Authority to make special planning assistance grants under section 720 of the Housing and Urban Development Act of 1970 to private new community developers and State land development agencies is extended for one year, through September 30, 1979.

Crime Insurance and Riot Reinsurance Programs

Extensions. Authority to provide new Federal crime insurance and riot reinsurance coverage is extended for two years, through September 30, 1980, and authority to continue existing coverage is extended to September 30, 1983. The date on which the Secretary should submit to the Congress a plan for the liquidation and termination of the crime insurance and riot reinsurance programs is extended until September 30, 1981.

Rate restrictions on risks within FAIR Plans. On and after January 31, 1979, no risk covered by a statewide FAIR Plan (fair access to insurance requirements) may be insured at a rate higher than the rates or advisory rates set by the principal State-licensed rating organization for essential property insurance in the voluntary market. Charges are allowed, on a nondiscriminatory basis, for substandard physical conditions within the control of the person applying for insurance, as set by the State-licensed rating organization for the voluntary market.

Membership on governing board or committee. At least one-third of the voting members of every board of directors or governors, advisory committee, and other governing or advisory board or committee for each State FAIR Plan must be individuals who are not employed by or otherwise affiliated with insurers, insurance agents, brokers, producers, or other entities of the insurance industry.

Flood Insurance Program

Extensions. Authority to enter into new contracts for flood insurance under the National Flood Insurance program is extended for two years, through September 30, 1980. Authority to provide subsidized flood insurance under the so-called "emergency program" in communities which have adopted minimum flood plain management measures and for which the necessary actuarial rates and flood hazard elevation studies have not yet been accomplished, also is extended for two years, through September 30, 1980.

Flood insurance studies. The appropriation of not to exceed \$114 million is authorized for fiscal year 1979 for flood insurance studies under the National Flood Insurance Act of 1968.

National Neighborhood Policy Act

Extension of report date. The report required under the National Neighborhood Policy Act on the National Commission on Neighborhoods' study of neighborhood decline and revitalization must be submitted to the Congress within 15 months from the date on which funds first became available for that Act. Prior law required that the report be submitted not later than one year after that date.

National Institute of Building Sciences

Funds authorized but not appropriated in fiscal years 1977 and 1978 for the National Institute of Building Sciences may be appropriated in any fiscal year through 1982.

HUD Day Care Center Facilities

The Secretary may establish, equip, and operate one or more day care center facility or facilities for serving children who are members of households of employees of the Department, and may assist in establishing, equipping and operating interagency day care facilities for serving such children. The Secretary also may establish fees and charges to be chargeable against HUD employees or others who are beneficiaries of services provided by any such centers, and may provide limited start-up costs for any such facility in an amount limited to 3 percent of the first year's operating budget, but not to exceed \$3,500.

Legislative Review

The new law amends the administrative provisions of the Department of Housing and Urban Development Act to add the following new requirements regarding the formulation of departmental rules and regulations:

- Within 30 days of enactment, the Secretary must transmit to the Committee on Banking, Housing, and Urban Affairs of the Senate and to the Committee on Banking, Finance and Urban Affairs of the House of Representatives, an agenda of all rules or regulations which are under development or review by the Department. Such agendas must thereafter be transmitted to the same Committees at least semiannually.
- Rules or regulations appearing on such an agenda may not be published for comment prior to or during
 the first period of 15 days of continuous session of Congress which occurs after the date on which the
 agenda containing the rule or regulation was transmitted. If, during the 15-day period, either Committee
 notifies the Secretary in writing that it intends to review any rule or regulation, or portion thereof, the
 Secretary is required to submit a copy of that rule or regulation to both Committees, in the form it is intended to be proposed.
- Submission of such requested rules or regulations must be made at least 15 calendar days of continuous session of Congress prior to the publication of that rule or regulation for comment in the Federal Register. Similarly, any rule or regulation which the Department wishes to publish for comment, but which has not been identified on a previous agenda, must be submitted to both Committees at least 15 calendar days of continuous session of Congress prior to any such publication.
- No rule or regulation may become effective until after the first period of 20 calendar days of continuous session of Congress which occurs after the day on which such rule or regulation is published as final. If, within that 20-day period, either Committee has reported out, or been discharged from further consideration of, a joint resolution of disapproval or other legislation which is intended to modify or in-

validate the rule or regulation, or any portion of it, that rule or regulation, or the portion so addressed, cannot become effective for an additional period of 90 days from the date of Committee action or discharge. Should the same House of Congress to which such Committee reports reject the resolution of disapproval or other legislation intended to invalidate or modify the rule or regulation, then such rule or regulation (if applicable Administrative Procedure Act requirements have been met) can become effective at any time after the expiration of the 20-day period following publication of the rule as final, unless the other House has a comparable resolution, or legislation, pending or adopted.

The legislative review procedures outlined in the new law also include a provision permitting waiver of any of the above-listed requirements upon the written request of the Secretary, if such request is agreed to by the Chairman and the Ranking Minority Member of both Committees.

The measure provides that Congressional inaction on any rule or regulation shall not be deemed an expression of approval of that rule or regulation.

For purposes of the legislative review provision, the new law provides that continuity of session is broken only by an adjournment of Congress sine die, and that the days on which either House is not in session because of an adjournment of more than three days to a day certain are to be excluded in the computation of calendar days of continuous session of Congress.

The provision exempts the setting of interest rates by the Secretary pursuant to section 3 of Public Law 90-301 (12U.S.C. 1709-1), from the requirements of legislative review.

CONGREGATE SERVICES (TITLE IV)

Short title. Title IV of the new law enacts the "Congregate Housing Services Act of 1978".

Findings. The Act contains Congressional findings that:

- congregate housing, coordinated with the delivery of supportive services, offers an innovative, proven
 and cost-effective means of enabling temporarily disabled or handicapped individuals to maintain their
 dignity and independence and to avoid unnecessary institutionalization;
- a growing number of elderly and handicapped residents of public housing projects and of nonprofit
 projects for the elderly and handicapped face premature and unnecessary institutionalization because
 of the absence of or deficiencies in the availability, adequacy, coordination, or delivery of supportive
 services for the successful development of adequate numbers of congregate housing projects; and
- supplemental supportive services, available on a secure and continuing basis, are essential to a successful congregate housing program.

Definitions. The following terms are defined in the Congregate Housing Services Act of 1978:

"Congregate housing" means low-rent housing which (a) as of January 1, 1979, was built or under construction, with which there is connected a central dining facility where wholesome and economical meals can be served to such occupants, or (b) low-rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for such occupants.

"Congregate services programs" means programs to be undertaken by a public housing agency or a nonprofit corporation to provide assistance, including personal assistance and nutritional meals, to eligible project residents who, with such assistance, can remain independent and avoid unnecessary institutionalization.

"Elderly" means 62 years of age or over.

"Eligible project resident" means elderly handicapped individuals, nonelderly handicapped individuals, or temporarily disabled individuals, who are residents of congregate housing projects administered by a public housing agency or by a nonprofit corporation.

"Handicapped" means having an impairment which (A) is expected to be of long-continued and indefinite duration, and (B) substantially impedes an individual's ability to live independently unless the individual receives supportive congregate services. Such impairment may include a functional disability or frailty which is a normal consequence of the human aging process.

"Personal assistance" means service provided under the Congregate Housing Services Act of 1978, which

may include, but is not limited to, aid given to eligible project residents in grooming, dressing, and other activities which maintain personal appearance and hygiene.

"Professional assessment committee" means a group of at least three persons appointed by a local public housing agency or a nonprofit corporation, and shall include qualified medical professionals and other persons professionally competent to appraise the functional abilities of elderly or permanently disabled adult persons, or both, in relation to the performance of the normal tasks of daily living.

"Temporarily disabled" means an impairment which is expected to be of no more than six months' duration and which substantially impedes an individual's ability to live independently unless the individual receives supportive congregate services.

"Nonprofit corporation" means any corporation responsible for a housing project assisted under section 202 of the Housing Act of 1959.

Authority of the Secretary to enter into contracts. The new law authorizes the Secretary of Housing and Urban Development to enter into contracts with local public housing agencies and with nonprofit corporations, utilizing sums appropriated under the Congregate Housing Services Act of 1978, to provide congregate services programs for eligible project residents in order to promote maximum independence within a home environment for such residents who are capable of self-care with appropriate supportive congregate services.

Such contracts are to be for a term of not less than three or more than five years, and shall be renewable. A sum equaling the total approved contract amount shall be reserved for each public housing agency or non-profit corporation entering into such a contract, from monies authorized and appropriated for the fiscal year during which such agency or corporation is notified of funding approval.

Congregate services program. Several procedures, restrictions and application processing controls are included in the new Congregate Housing Services Act:

- Programs assisted under the Act must include full meal service adequate to meet nutritional needs, and
 may also include housekeeping aid, personal assistance and other services.
- No services funded under the new Act may duplicate services which are already affordable, accessible
 and available on a long-term basis to eligible project residents under programs administered by or
 receiving appropriations through any Federal agency or instrumentality, or any other public or private
 department, agency or organization.
- Public housing agencies or nonprofit corporations applying for assistance must consult with the Area Agency on Aging (or other appropriate State agency) in determining the means of providing services under the new Act and in identifying alternative available sources of funding for such services.
- Prior to submission of a final application for either new or renewed funding under the Act, a copy of the
 proposed application must be provided to the Area Agency on Aging (or other appropriate State agency) for review and comment. The applicant agency or corporation must consider such comment in the
 development of its final application.
- When an applicant agency or corporation includes nonelderly handicapped individuals among its eligible project residents, the new law provides that additional consultation must occur with the appropriate local agency, if any, designated by State law as having responsibility for the development, provision, or identification of social services to permanently disabled adults. Again, in such cases a copy of the proposed application for new or renewed funding must be first forwarded to such appropriate local agency for review and comment, and such comment must be considered in development of the final application.
- Agencies or nonprofit corporations receiving assistance under the new law are permitted to provide congregate services directly or may, by contract or lease, provide such services through other appropriate agencies or providers.
- Recipient agencies and corporations are required under the new law to maintain the same dollar
 amount of annual contribution which they were making, if any, in support of the provision of eligible
 services before the date of submission of an application for assistance under the Congregate Housing
 Services Act, unless the Secretary determines that waiver of this requirement is necessary for the
 maintenance of adequate levels of services to eligible project residents. If an agency or corporation has
 arranged for services by means of contract or lease, and such agreement provides for adjustments in
 payments to reflect changes in the cost of living, then the agency or corporation's own maintenance of
 effort contribution must be readjusted in the same manner.

 Each nonprofit corporation and public housing agency must establish fees for meal service and other services provided to eligible project residents. Such fees must be reasonable and may not exceed the cost of providing the service, and shall be calculated on a sliding scale related to income which permits the provision of services to residents who cannot afford meal and service fees. When meal services are provided to other project residents (las well as those eligible for congregate services), such fees must be reasonable and may not exceed the cost of providing the meal service.

The Secretary is required to establish standards for the provision of services under the Congregate Housing Services Act, and in developing such services standards, is directed to consult with the Secretary of the Department of Health, Education and Welfare and with appropriate organizations representing the elderly and handicapped, as determined by the Secretary.

Eligibility for services. The new law provides for the creation of a professional assessment committee for any project participating in the congregate housing services program, with responsibility for identifying project residents eligible to participate in the program and for designating the services appropriate for such residents. Such committees must utilize procedures which will insure that the process of determining eligibility of individuals for services accords such persons fair treatment and due process, including a right of appeal of any determination regarding eligibility. Professional assessment committees must also assure the confidentiality of personal and medical records of residents.

Residents other than those eligible to participate in the congregate services program may participate in a congregate meal service program receiving assistance under the new law, if the local public housing agency or nonprofit corporation determines that the participation of these individuals will not adversely affect the cost-effectiveness or operation of the program.

Any agency or nonprofit corporation receiving assistance is required to notify the Secretary of any change in the membership of its professional assessment committee within 30 days of such change. The notification must list the names and professional qualifications of new members of the committee. Changes in membership must be consistent with the requirements of the new law relative to the qualifications and professional competence of committee members.

Application procedures. An application for assistance under the Congregate Housing Services Act must include:

- a plan specifying the types and priorities of the basic services the agency or corporation proposes to
 provide; such plan must be related to the needs and characteristics of the eligible project residents and
 must, to the maximum extent practicable, provide for the changing needs and characteristics of all project residents, determined after consultation with eligible project residents and with the professional
 assessment committee;
- a list of the names and professional qualifications of the members of the professional assessment committee;
- any comment received in connection with reviews of the proposed application by Area Agencies on Aging, other appropriate State agencies, or by local agencies responsible for social services to permanently disabled adults;
- a statement affirming the applicant agency or nonprofit corporation's compliance with the new law's consultation requirements, and with the Secretary's requirements regarding deadlines for submission of applications for funding.

The Secretary must establish appropriate deadlines for each fiscal year for the submission of applications for funding under the congregate housing services program, and must notify any agency or corporation applying for assistance of the acceptance or rejection of its application within 90 days of such submission.

Recipient agencies and corporations must, within 12 months prior to the submission of an application for renewed funding, conduct a review of the performance, appropriateness and the fee schedules of their congregate services program with eligible project residents and with the professional assessment committee. The results of such review must be included in any application for renewal, and must be considered by the agency or corporation in the development of its application for renewal, and by the Secretary during its evaluation.

Evaluation of applications for assistance. The new law sets out particular matters to be considered by the Secretary in evaluating applications for assistance under the congregate housing services program. These include:

· the types and priorities of the services proposed to be provided and the relationship of such proposal to

the needs and characteristics of the eligible project residents;

- how quickly services will be established following approval of the application;
- the degree to which local social services are adequate for the purpose of assisting eligible project residents;
- · the professional qualification of the members of the professional assessment committee; and
- the reasonableness of fee schedules established for each congregate service.

The new law also outlines the Secretary's authority and responsibility for the evaluation of programs receiving assistance under the Act. The Secretary is required to:

- establish procedures for the review and evaluation of the performance of agencies and corporations
 receiving assistance, including provision for the submission of an annual report, by each such agency or
 corporation, evaluating the impact and effectiveness of its congregate services program; and
- publish annually and submit to the Congress a report on and evaluation of the impact and effectiveness
 of congregate services programs being assisted under the Act. The Secretary's report and evaluation is
 to be based, in part, on the evaluations submitted by funded agencies and nonprofit corporations.

Funding procedures. The new law directs the Secretary to establish procedures relating to funding to be provided under the congregate services program:

- to assure timely payments to funded agencies for approved services programs, with provision made for advance funding sufficient to meet necessary startup costs;
- to permit reallocation of funds if services are not established by a funded agency within six months of the date of notification of funding approval;
- to assure that where funding has been approved for the establishment of services for projects under construction or approved for construction, such services shall be in place at the beginning of occupancy by tenants requiring such services;
- to establish accounting and other standards to prevent fraud or other inappropriate use of funds; and
- to assure that no more than 1 per cent of funds appropriated in any fiscal year may be used for the funded agency self-evaluation purposes described in the Act.

The new law directs the Secretary to establish a reserve fund, not to exceed 10 percent of funds appropriated in each fiscal year for congregate services, to be used to supplement grants awarded under the program when, in the determination of the Secretary, such adjustments are required in order to maintain adequate levels of services to eligible project residents.

Miscellaneous provisions. Under the new law, each public housing agency and nonprofit corporation assisted under the congregate services program is required, to the maximum extent practicable, to utilize elderly and permanently disabled adult persons who are residents of public housing or section 202 housing, but who are not eligible project residents under the congregate program, to assist in providing congregate services.

Such persons shall be paid wages which must not be lower than the highest of:

- the minimum wage which would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 6(a)(1) of that Act applied to the resident and if he or she were not exempt under section 13 thereof:
- the State or local minimum wage for the most nearly comparable covered employment; or
- the prevailing rates of pay for persons employed in similar public occupations by the same employer.

Except for income from wages paid pursuant to the above formula, the new law provides that no service provided to a public housing resident or to a resident of a section 202 project pursuant to the congregate services program may be treated as income for the purpose of any other program or provision of State or Federal law.

For purposes of any other program or provision of State or Federal law, persons receiving services assisted under the Congregate Housing Services Act shall be deemed to be residents of their own households, and not to be residents of a public institution.

Regulatory power of the Secretary. The new law contains a general authority in the Secretary to issue regulations to carry out the provisions of the Congregate Housing Services Act of 1978.

Authorization of appropriations. To carry out the provisions of the Congregate Housing Services Act of 1978, the statute authorizes to be appropriated:

not to exceed \$20 million for fiscal year 1979;

- not to exceed \$25 million for fiscal year 1980;
- not to exceed \$35 million for fiscal year 1981; and
- not to exceed \$40 million for fiscal year 1982.

Sums appropriated will remain available until expended.

Amendment to the U.S. Housing Act of 1937. The definition of "congregate housing" contained in the United States Housing Act of 1937 is amended by the new law to conform to the definition of the term set out in the Congregate Housing Services Act of 1978 (summarized above). In addition, the 1937 Act is amended to cross-reference the new Act and to provide that occupants of congregate housing assisted under the United States Housing Act may also be provided with other supportive services appropriate to their needs under the new Act.

RURAL HOUSING (TITLE V)

Authorizations for rural housing programs. The new law amends title V of the Housing Act of 1949 to extend for one year, through September 30, 1979, basic authorities under the Farmers Home Administration rural housing programs. Appropriations of not to exceed \$48 million for the fiscal year are authorized for rehabilitation loans and grants (section 504 of the Housing Act of 1949), not to exceed \$38 million for section 516 financial assistance to domestic farm labor housing, and not to exceed \$10 million for research and study programs pursuant to section 506. Additionally, the aggregate amount limitation on the principal obligations of loans insured under the section 514 loan insurance program for domestic farm labor housing is increased from \$25 million to \$38 million, subject to approval in an appropriation Act.

The Secretary of Agriculture's authority to insure and to make commitments to insure housing and related facility loans for elderly or handicapped persons pursuant to section 515(b) of the Housing Act of 1949 is extended through September 30, 1979, as is the authority to insure, and to make for sale and insurance, loans to low- and moderate-income persons for farm housing and related buildings under section 517(a)(1) of the 1949 Act

The authorization for appropriations for financial assistance for mutual and self-help rural housing under section 523 of the 1949 Act is increased from \$10 million for each fiscal year to \$16.5 million, and authority to provide such assistance is extended through September 30, 1979.

The new law also authorizes \$3 million for the fiscal year ending September 30, 1979 for the Self-Help Housing Land Development Fund, a revolving fund used for loans for acquisition and development of land for building sites.

Technical assistance. Title V also authorizes appropriations of up to \$5 million for the fiscal year ending September 30, 1979 for technical and supervisory assistance grants to aid low-income persons in benefiting from Federal, State and local rural housing programs. An additional \$5 million is authorized during the same period for interest-free loans to public or private nonprofit organizations for use in preconstruction planning, or for expenses incident to the obtaining of financing for rehabilitation or construction of housing for low-income persons under any Federal, State or local housing program which is available for use in rural areas.

Rural housing research. The new law expands the areas of inquiry for the conduct of research, technical studies and demonstrations relating to the mission and programs of the Farmers Home Administration and the national housing goals defined in section 2 of the Housing Act of 1949.

The Secretary of Agriculture is directed to seek to promote the construction of adequate farm and other rural housing with particular attention to the housing needs of the elderly, handicapped, migrant and seasonal farmworkers, Indians, and other identifiable groups with special needs. The Secretary is also directed to conduct research and demonstration activities, and to make technical studies, for the purposes of stimulating construction and improving the architectural design and utility of dwellings and buildings.

Migrant and settled farmworker study. The Secretary of Agriculture is directed to conduct a study of housing which is available for migrant and settled farmworkers. In conducting the study, the Secretary is to:

- determine the location, number, quality and condition of housing units which are available to such persons, and the cost assessed for their occupancy of such units;
- recommend legislative, administrative, and other action (including the need for new authority for such action) which may be taken for the purpose of improving both the availability and the condition of such housing units; and
- determine the possible roles which individual farmworkers, farmer associations, and public and private nonprofit agencies can perform in improving the housing conditions of farmworkers.

The Secretary of Agriculture is to transmit the results of the migrant and settled farmworker housing study to each House of Congress within one year after the date of enactment of the new law.

Appeals procedures. The Administrative Provisions of the Rural Housing Act are amended by the new law to set out the power of the Secretary of Agriculture to issue rules and regulations which assure that applicants denied assistance under Title V of the Housing Act of 1949, or persons or organizations whose assistance under the title is being substantially reduced or terminated, are given written notice of the reasons for denial, reduction or termination, and are provided at least an opportunity to appeal an adverse decision and to present additional information relevant to that decision. The law specifies that the person to receive such additional information must be someone other than the person making the original determination, and must be a person with authority to reverse the decision.

Waiver of certain requirements related to domestic farm labor housing. The new law contains an amendment authorizing the Secretary of Agriculture to waive the one percent interest rate limitation contained in the domestic farm labor housing program, as well as the requirement of a strong showing that a borrower is unable to secure credit from other sources (sec. 501(c)(3) of the Housing Act of 1949), in any case in which the Secretary determines that qualified public or private nonprofit sponsors are not currently available and are not likely to become available within a reasonable period of time, and such waiver is necessary to permit farmers to provide housing and related facilities for migrant domestic farm laborers.

The new law specifies that benefits resulting from any waiver must accrue to the tenants, and that the interest rate on loans insured under section 514 shall be no less than one-eighth of 1 per centum above the average interest rate on notes or other obligations which are issued under section 511 of the 1949 Act, and shall have comparable maturities.

Sponsors' priority. Under section 516(a) of the Housing Act of 1949, applications for financial assistance for the provision of low-rent housing may be made by any State or political subdivision of a State, any broad-based public or private nonprofit organization, or any nonprofit organization of farmworkers. The new law contains an amendment to this provision, stipulating that the Secretary of Agriculture shall not give funding priority to any one of the listed eligible applicant groups.

Interest reduction credits—deep subsidy. The Secretary of Agriculture's authority to reduce the rate of interest on FmHA loans down to a level of one percent, for persons who cannot afford a market-rate loan, is clarified by provisions of the new law.

In addition, where an individual cannot afford the section 502 or 517 single-family programs at the one percent rate, the measure authorizes the Secretary of Agriculture to provide additional assistance, pursuant to amounts approved in appropriation Acts, and for such periods of time as the Secretary may determine, in the form of a subsidy not exceeding the difference between the principal, interest, taxes, insurance, utilities and maintenance costs determined by the Secretary to be attributable to purchase and occupancy of a home, and 25 percent of the applicant's income. This deep subsidy program, however, is limited to rural areas found by the Secretary to be "unsuitable" for assistance available under FmHA and HUD rental housing assistance programs authorized by the Rural Housing Act, the National Housing Act, and the United States Housing Act of 1937.

Recapture of subsidies provided under section 502. The new law requires the Secretary of Agriculture to provide for the recapture of all or a part of the housing subsidies provided pursuant to section 502 or 517(a) of the 1949 Act at the time of nonoccupancy of the subsidized unit or upon transfer of the property. The Secretary also is required to provide for borrower incentives to encourage maintenance of the property in

marketable condition. To the extent the Secretary may provide for recapture of assistance, the new law provides that such assistance, whenever rendered, shall constitute a debt secured by the security instruments given by the borrower to the Secretary.

Taxation. The new law provides that, except for Federal and State tax laws, the assistance provided pursuant to the interest reduction subsidy program is not to be considered income or resources for any purpose under State or Federal laws, including, but not limited to, laws relating to welfare and public assistance programs.

Restrictions on availability of deep subsidy assistance. In addition to the requirement that the Secretary find that the area in which the deep subsidy assistance program is to be available is "unsuitable" for the employment of existing rental housing assistance programs, the new law extends to the deep subsidy program the requirement of previously existing law that assistance may be made available only when the Secretary of Agriculture determines that the housing needs of the applicant cannot be met from other sources, including the National Housing Act and the United States Housing Act of 1937.

Additional requirements. Also extended to the new deep subsidy program is the requirement that the interest on loans made under programs available to victims of a disaster shall not exceed the limits set under section 502 of the Housing Act of 1949.

An aggregate limit of \$440 million on the principal amount of loans made to borrowers receiving deep subsidy assistance is included in the new law, and the Secretary's authorization to make assistance payments from the Rural Housing Insurance Fund is extended to the new program.

Eligibility for rural rental assistance. The Secretary of Agriculture's authority to provide assistance payments to rental housing projects is expanded to permit such payments to be made to public and private nonprofit owners of congregate and cooperative housing projects. The new law also provides that projects financed only by section 514 loans (as well as those financed by a loan under section 514 and a grant under section 516, as provided for prior to this amendment) may be eligible for assistance payments for up to 100 percent of their units.

Study of emergency potable water and sewage program. The Secretary of Agriculture is required under the new Act to carry out a study to determine the approximate number of rural housing units which are without access to sanitary toilet facilities, to potable water supplies, or to either such amenity, and to prepare a projection of the cost of implementing an emergency program to provide such facilities and supplies to all such housing over a two-year period. the Secretary is to report the results of this study to the Congress not later than six months following the date of enactment of the new law.

Remote claims study. Additionally, the Secretary of Agriculture is to make a detailed study of the problems associated with obtaining title insurance by persons in rural areas with respect to real property encumbered by remote claims or other remote encumbrances which prevent such persons from receiving the full benefit of the use of such property. Included in such study is to be an examination of how such remote claims affect the ability of the holders of such property to receive the full benefit of assistance provided under the Rural Housing Act.

In making the study, the Secretary shall consider and develop findings and conclusions with respect to:

- The extent of remote claims problems as they pertain to the lawful rights of persons encumbered by such claims;
- the location and amount of land affected by such problems;
- the nature, extent, and effectiveness of remedies to such problems currently available, or proposed, under State law;
- the potential impact (with respect to existing Federal, State and local laws) of such remote claims and encumbrances;
- the liability and losses which might accrue to the Federal Government as a result of each of the remedies considered in the study conducted under this authority; and
- other issues which the Secretary of Agriculture determines shall be considered, after consulting with the Secretary of Housing and Urban Development.

The Secretary of Agriculture is required, not later than March 1, 1979, to transmit an interim report to the Congress covering the remote claims study. A final report shall be transmitted not later than one year after the date of enactment of the new law. The final report is to contain the findings and conclusions of the Secretary of Agriculture with respect to the study, any recommendations for Federal legislative actions necessary to implement reasonable remedies to the problem of remote claims, and any recommendations for legislative actions which might be undertaken by State and local governments for the purpose of providing such remedies.

NEIGHBORHOOD REINVESTMENT (TITLE VI)

Short title and statement of purpose. Title VI of the new Act may be cited as the "Neighborhood Reinvestment Corporation Act". The purpose of the title is to establish a public corporation to continue the joint efforts of Federal financial supervisory agencies and HUD to promote reinvestment in older neighborhoods through the approach of the Urban Reinvestment Task Force.

Findings. The Act cites Congressional findings that:

- the neighborhood housing services demonstration of the Urban Reinvestment Task Force has been a successful program; and
- the demand for neighborhood housing services warrants the creation of a public corporation to institutionalize and expand the programs of the Urban Reinvestment Task Force.

Establishment of Corporation. The Act establishes the Neighborhood Reinvestment Corporation as a tax exempt (except for State and local property taxes) body corporate to implement and expand the demonstration activities of the Urban Reinvestment Task Force.

Board of Directors—establishment. The Act establishes a Board of Directors made up of the HUD Secretary, the Chairman of the Home Loan Bank Board, a member of the Board of Governors of the Federal Reserve System, the Chairman of the FDIC, the Comptroller of Currency, and the Administrator of the National Credit Union Administration. The Board is directed to elect a chairman from among its members for a two-year term, except for the first two years, during which the Chairman of the Federal Home Loan Bank Board is designated as Chairman.

Officers and employees. The Act empowers the Board to employ and fix compensation for employees but limits compensation to the highest GS-18 rate. The directors are required to appoint an executive director to serve as the chief executive officer of the Corporation. The Act further provides that the officers and employees of the Corporation are not officers or employees of the U.S. and that the Corporation is not a department, agency or instrumentality of the U.S.

Powers and duties. The Act provides that the Corporation, in part, shall:

- continue the work of the Urban Reinvestment Task Force in establishing neighborhood housing services programs in neighborhoods throughout the U.S., supervising their progress, and providing them with grants and technical assistance;
- continue the work of the Task Force in identifying, monitoring, evaluating and providing grants and technical assistance to selected neighborhood preservation projects which show promise as a mechanism for reversing neighborhood decline and improving the quality of urban life;
- replicate experimentally successful neighborhood preservation projects and, after creating reliable developmental processes, bring these new programs to neighborhoods throughout the U.S.; and
- continue work of the Task Force in supporting Neighborhood Housing Services of America, which support may include technical assistance and grants to expand its national loan purchase pool.

The Act also authorizes the HUD Secretary and any other department, agency or instrumentality of the Federal Government to provide services and facilities, with or without reimbursement, to the Corporation.

Reports and audits. The Corporation is required to transmit an annual report to the President and Congress. GAO is authorized to audit the Corporation in any fiscal year during which Federal funds are available and a GAO audit of the Corporation is required at least once during each three years.

Authorization. The Act authorizes the appropriation of not to exceed \$12.5 million to the Corporation for fiscal 1979. The Corporation must submit an annual budget to the Office of Management and Budget, at such time and in such form as the President establishes. This budget shall be submitted to Congress.

NEIGHBORHOOD SELF-HELP DEVELOPMENT (TITLE VII)

Short title and statement of purpose. Title VII of the Act may be cited as the "Neighborhood Self-Help Development Act of 1978". The purposes of the title are to provide grants and other assistance to qualified neighborhood organizations to undertake specific housing, economic or community development and other neighborhood conservation and revitalization projects in low- and moderate-income neighborhoods, and to increase the capacity of neighborhood organizations to utilize and coordinate resources available from public and private sectors and from the residents and neighborhoods themselves in conserving and revitalizing such neighborhoods.

Findings. The Act cites Congressional findings that:

- existing urban neighborhoods are a national resource to be conserved and revitalized:
- neighborhood conservation and revitalization efforts, to be effective, must involve the fullest support and participation of those most directly affected at the neighborhood level; and
- an effective way to obtain neighborhood support and participation is through neighborhood organizations accountable to neighborhood residents.

Definitions. The Act defines the following items:

- "neighborhood organization" means a voluntary nonprofit organization which: (A) is broadly representative of the neighborhood in which the project will be located (and may include representatives of local business, financial and governmental and nongovernmental entities); (B) is accountable to neighborhood residents with respect to the project being proposed; (C) has as an objective the preservation and revitalization of such neighborhood; and (D) is found by the Secretary to have a proven record or demonstrable capacity for developing resources for, and effectively implementing, neighborhood conservation and revitalization programs and projects; and
- "neighborhood conservation and revitalization projects" includes, but is not limited to: (A) locally initiated programs for housing rehabilitation or the creative reuse or improvement of existing housing; (B) conservation and revitalization of neighborhood retail business areas and the recycling of vacant or underutilized industrial sites, public facilities, and privately-owned businesses for the purpose of expanding employment opportunities and neighborhood economic development; and (C) energy conservation and weatherization projects.

Authority to provide assistance. The Act authorizes the Secretary to make grants and provide technical assistance to neighborhood organizations for preparing and implementing specific housing, economic and community development, and other appropriate neighborhood conservation and revitalization projects.

Requirements for assistance. Grants and other assistance can be made available only if:

- the assistance will be used for a specific project which is related to and supportive of a conservation or revitalization strategy for the neighborhood in which the project will be located;
- the project will, to the extent feasible, include a self-help component which involves a contribution of time or resources by neighborhood residents;
- the project will directly benefit the residents of a low- or moderate-income neighborhood;
- the project will, to the extent feasible, involve leveraging of resources available from the private sector;
 the project will, to the extent feasible, involve the coordination of resources available from the local, State, or Federal Government;

- the applicant demonstrates that the residents of the neighborhood where the project will be located, and particularly residents who will be directly affected by the project, have been actively involved in and supportive of the selection of the project, and will continue to be involved in project development, implementation, and evaluation through an effective and continuing participation mechanism; and
- the applicant provides evidence that identified funding sources support the project and can make funds available contingent on the progress of the project.

Additionally, grants could not be made for: planning functions not directly combined with project implementation; public works projects not associated with the specific project being funded; operation of social service programs not associated with the specific project; economic development projects which will not primarily benefit those in the project neighborhood; or operation of a community group not associated with the specific project. Also, an application for a grant must contain a certification by the unit of general local government, within which the assisted neighborhood is located, that the assistance is consistent with and supportive of the objectives of the unit of local government, including housing and community development and neighborhood conservation and revitalization activities.

Authorization for appropriations. The new law authorizes the appropriation of up to \$15 million each for fiscal years 1979 and 1980 to be available until expended.

LIVABLE CITIES (TITLE VIII)

Short title and statement of purpose. Title VIII of the new law may be cited as the "Livable Cities Act of 1978". The purpose of the program established under that Act is to assist the efforts of States, local governments, and neighborhood and other organizations to provide a more suitable living environment, expand cultural opportunities, and to the extent practicable, stimulate economic opportunities, primarily for the lowand moderate-income residents of communities and neighborhoods in need of conservation and revitalization, through the utilization, design or development of artistic, cultural or historic resources.

Definitions. For purposes of this program:

- "Art" and "arts" include but are not limited to architecture (including preservation, restoration or adaptive use of existing structures), landscape architecture, urban design, interior design, graphic arts, fine arts (including painting and sculpture), performing arts (including music, drama and dance), literature, crafts, photography, communications media and film, as well as other similar activities which reflect the cultural heritage of the Nation's communities and their citizens;
- "Nonprofit organization" means an organization in which no part of its net earnings inures to the benefit of any private stockholder or individual. If a private entity, it must not be disqualified for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1954 by reason of attempting to influence legislation, and it must not participate in or intervene in any political campaign on behalf of any candidate for public office (including the publishing or distribution of statements). A nonprofit organization may include States and units of local government (including public agencies or special authorities), regional organizations of local governments and nonprofit societies, neighborhood groups, institutions, organizations, associations or museums;
- "Project" means a program or activity intended to carry out the purposes of the program, and includes
 programs for neighborhood and community-based arts programs, urban design, user needs design,
 and the encouragement of the preservation of historic or other structures which have neighborhood or
 community significance.

Authority to provide assistance. Under the new program, the Secretary may make grants to or enter into contracts with nonprofit organizations to undertake or support, in cities, urban communities, or neighborhoods, projects which the Secretary, in consultation with the Chairman of the National Endowment for the Arts (the Chairman), determines will carry out the purposes of the program.

Requirements for assistance. To be eligible for assistance, projects must have substantial artistic, cultural, historical or design merit, and must represent community or neighborhood initiatives which have significant potential for conserving or revitalizing communities or for enhancing community or neighborhood identity and pride. Projects also must meet the criteria established jointly by the Secretary and the Chairman for evaluating and selecting projects to be assisted. These criteria must address, but need not be limited to:

· artistic, cultural, historical, or design quality;

the degree of broadly based, active involvement of neighborhood residents, community groups, local
officials, and persons with expertise in the arts;

the degree of, or potential for utilizing or stimulating, assistance or cooperation from other Federal,
 State and local public and private sources, including arts organizations;

the feasibility of project implementation, including the capability of the sponsor organization;

- the potential contribution to neighborhood revitalization and the creation of a sense of community identity and pride;
- the potential for stimulating neighborhood economic and community development, particularly for the benefit of persons of low and moderate income; and
- the potential utilization of the project by neighborhood residents, and particularly residents of low and moderate income, senior citizens and handicapped persons.

No assistance may be made under the program except upon the basis of an application submitted to the Secretary in accordance with regulations and procedures established jointly by the Secretary and the Chairman.

Outside recommendations. Prior to the approval of any application, the Secretary must consult with the Chairman and, in accordance with regulations and procedures issued jointly by the Secretary and the Chairman, must seek the recommendations of State and local officials and private citizens who have broad knowledge of, or experience or expertise in, community and economic development and revitalization, and of such officials and citizens who have broad knowledge of, or expertise in, the arts.

Matching and other requirements. The Secretary, in cooperation with the Chairman, must prescribe regulations to require that specific portions of the cost of any project assisted under the program shall be provided from sources other than funds made available under the program. These requirements may vary depending upon the type of applicant, and the Secretary may reduce or waive matching requirements solely in order to take account of the financial capacity of the applicant. Also, funds made available under the program may not be used to supplant other public or private funds.

Local government certification, coordination. Assistance may be made available under the program only if the application for assistance contains a certification by the unit of general local government for the area in which the project will be located that the project is consistent with and supportive of the objectives of that government for the area. The Secretary also is required to coordinate the administration of the program in cooperation with other Federal agencies, and to assure that assisted projects are coordinated with efforts undertaken by State and local public and private entities, including arts organizations.

Authorization of appropriations. Appropriations of not to exceed \$5 million for fiscal year 1979 and not to exceed \$10 million for fiscal year 1980 are authorized for carrying out the purposes of the program. Any amounts so appropriated shall remain available until expended. No more than 10 percent of funds appropriated for the program for any fiscal year may be available for administrative expenses.

MISCELLANEOUS PROVISIONS (TITLE IX)

Housing displacement. The Secretary is directed to make a study of the nature and extent of the problem of displacement occasioned by the Federal Government in administering its housing and community development programs. The Secretary is required to report to Congress by January 31, 1979, with recommendations for the formulation of a national policy to minimize involuntary displacement due to HUD's programs and to alleviate problems caused by both public and private displacement.

Rehabilitation guidelines. The Secretary is directed to develop rehabilitation guidelines in consultation with the National Institute of Building Sciences and other appropriate parties for voluntary adoption by States and localities. Also, the Secretary, in her discretion, may provide technical assistance to State and local governments and is directed to promulgate the guidelines within 18 months of enactment.

Paperwork reduction. HUD and VA are directed—insofar as practicable and to the extent that such action would reduce paperwork—to make uniform those forms used in their housing and housing finance programs. OMB is directed to monitor the implementation of the effort by HUD and VA.

Interstate Land Sales Full Disclosure Act. The Interstate Land Sales Full Disclosure Act is amended to broaden the exemptions to include: sale or lease of land on which there is a condominium building or on which a condominium building is to be built within two years; real estate which is restricted to industrial and commercial use by recorded covenant; lots where the only restrictions are U.S. land patents; and fully improved single-family homesites within counties and municipalities having minimum standards for the development of subdivision lots.

Field reorganizations. The new law provides that any nationwide reorganization plan for the future reorganization of any regional, area, insuring or other field office of HUD could take effect only after 90 days following the publication in the Federal Register of a cost-benefit analysis of the effect of the plan on each involved office.

Report on mobile home construction and safety standards. The law changes the date established for submission to the President of the annual report to Congress on the administration of the National Mobile Home Construction and Safety Standards Act of 1974 from March 1 of each year to June 1 of every other year beginning with calendar year 1978.

Alaska housing program. The Act revises the program established by section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966 to permit the Secretary to make loans and grants to regional native housing authorities for planning assistance, housing rehabilitation and maintaining an adequate administrative structure for the provision of housing and related facilities. It also authorizes the Secretary to exceed the 75 percent limitation on the amount of such grants after consultation with State officials.

Report on goals. The Act amends the existing requirement in title XVI of the Housing and Community Development Act of 1968 regarding periodic reports to Congress to provide that the President, not later than January 20 of each year, submit to Congress a report which: (1) reviews the progress made in achieving housing production objectives during the preceding year, and if relevant, identifies the reasons for any failure to reach the proposed objectives; (2) projects the level, composition, and general location of production and rehabilitation activity for the current year, and reassesses the availability of required resources; (3) specifies Federal programs and policies to be implemented or recommended to achieve the objective; (4) updates the estimates of the housing needs of lower-income families in a detailed fashion as to type of need and household and location; (5) reviews the progress made in achieving goals of conserving and upgrading older housing and neighborhoods, expanding homeownership and equal housing opportunities, and assuring reasonable shelter costs; (6) reports on progress made toward developing new methods for measuring progress in achieving these goals; and (7) identifies legislative and administrative actions which will or should be adopted during the current year to achieve these goals.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3084) to amend and extend certain Federal laws relating to housing, community, and neighborhood development and preservation, and related programs, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The House amendment struck out all of the Senate bill after the

enacting clause and inserted a substitute text.

The Senate recedes from its disagreement to the amendment of the House with an amendment which is a substitute for the Senate bill and the House amendment. The differences between the Senate bill, the House amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

TITLE I-COMMUNITY DEVELOPMENT

SECTION 312 REHABILITATION LOANS

Priorities

The Senate bill contained a provision to give priority in the section 312 rehabilitation loan program to families that meet section 8 income requirements. The House amendment provided that priority be given to low and moderate income owner occupants, and in condominium and cooperative projects, to persons principally of low and moderate income. The conference report contains the House provision with an amendment that specifically set the income threshold for these loans at 95 percent of the median income in the area.

Authorizations

The Senate bill contained a provision authorizing for appropriation for section 312 rehabilitation loans an amount not to exceed \$370 million for fiscal year 1979 and the same amount for fiscal year 1980. The House amendment contained a provision authorizing for appropriation an amount not to exceed \$245 million for fiscal 1979 only. The conference report contains the House provision.

Energy Conservation Standards

The House bill contained a provision that was not contained in the Senate amendment requiring that 180 days after enactment of this Act that improvements made in properties assisted with section 312 rehabilitation loans must meet cost-effective, energy conservation standards. The conference report contains the House amendment with an amendment requiring such standards to be met 270 days after enactment of this Act.

Flexible Interest Rate

The Senate bill contained a provision authorizing the Secretary to set the rate for section 312 loans above 3 percent for families above 80 percent of median area income and limited the rate not to exceed the current Treasury borrowing rate plus one-eighth percent. The Secretary was further authorized to maintain an interest rate no greater than 3 percent for families at 80 percent of median income or lower, and for multifamily housing. The House amendment was similar except that it provided that the Secretary may set the interest rate above 3 percent for persons whose income exceeds 95 percent of the median area income, but the rate cannot exceed a rate determined by the Secretary of the Treasury taking into consideration the current Treasury borrowing rate. It required, further, that the HUD Secretary, in setting the rate, shall consider the condition, location, and use of the property, the nature of the rehabilitation, the income of the applicant, and other factors deemed relevant. The conference report contains the Senate provision with an amendment which would permit section 312 multifamily loans to have interest rates above 3 percent.

The conferees intend that the Secretary will, as a general proposition, apply the higher rates to more affluent borrowers, but the Secretary may permit the lower rate where it is necessary to make the rehabilitation feasible, taking into account the borrower's ability to pay. For interest rates for multifamily loans, the conferees expect the Secretary to set such rates at a level necessary to make the rehabilitation of the property feasible at rents affordable by the prospective tenants of the property.

Refinancing

The Senate bill contained a provision not contained in the House amendment permitting the use of section 312 loans for refinancing existing indebtedness if Secretary determines such loan is necessary to minimize tenant displacement in multifamily housing. The con-

ference report does not contain the Senate provision.

The conferees are aware that there may be instances where the rehabilitation of multifamily structures might lead to the displacement of low and moderate income tenants even though the Secretary exercises caution in selecting properties for rehabilitation such that displacement is minimized. In instances where displacement is expected to result from the inability of the low and moderate income tenants to pay the higher rents caused by the rehabilitation, the conferees would authorize the Secretary to use section 312 loans to refinance existing indebtedness in addition to financing the rehabilitation required. The conferees wish to stress, however, that they expect the Secretary to use this authority sparingly and that owners of such multifamily structures not be permitted to withdraw their equity. The conferees wish to emphasize that it is their intention that the Secretary shall utilize criteria in selecting multifamily structures for rehabilitation which will minimize displacement and may approve the use of section 312 loans for refinancing only if she is assured that the benefit of the subsidy fully accrues to the tenants.

Set-Asides

The Senate bill contained a provision designating that \$175 million must be made available for multifamily rehabilitation, and \$70 million for urban homesteading for each of fiscal year 1979 and fiscal year 1980. Additionally, the Senate provision allowed that the Secretary may alter these amounts in either year if necessary after consideration of (a) the needs for different types of rehabilitation and (b) the capacity of State and local governments to administer such programs. The conference report contains the Senate provision with an amendment directing the Secretary to make no more than \$60 million of section 312 loans for multifamily housing projects and that no funds be specifically set aside for urban homesteading. The conferees wish to make clear, however, that the Secretary should assure that sufficient section 312 funds are available for urban homesteading.

Additional Section 312 Multifamily Limitations and Conditions Property Location

Property location

The Senate bill would provide that a multifamily property, to receive a loan under this program, must be (a) in a low or moderate income neighborhood, as designated by a unit of local government for community development purposes, or (b) have a majority of low and

moderate income tenants and be in a neighborhood characterized by substantial private investment and rising property values resulting in tenant displacement, and the loan be used to minimize displacement.

The House had no provision.

The conference report contains the Senate provision with an amendment specifying that multifamily loans can be made only in low and moderate income neighborhoods or for buildings occupied by a mjority of low and moderate income tenants, and clarifying that in either instance the property must be in an area already qualified for section 312 lending. The conferees expect that in making section 312 loans in other than low and moderate income neighborhoods the Secretary will give priority to multifamily properties in which the low and moderate income tenants would be displaced if section 312 financing were not available and that such financing would in fact prevent such displacement. The conferees wish to emphasize, however, that the Secretary, as a matter of general policy, is to employ criteria that will result in selecting projects whose rehabilitation will cause minimal involuntary displacement, and she has determined that other rehabilitation approaches are unavailable or inappropriate for a particular project.

Community development strategy: The Senate bill contained a provision not contained in the House amendment requiring that multifamily loans must be consistent with a community development strategy principally benefiting low and moderate income persons. The conference report contains the Senate provision with an amendment specifying that for a section 312 multifamily loan to be made, the proposed rehabilitation would have to be consistent with a local community development strategy developed pursuant to title I of

the Housing and Community Development Act of 1974.

Property size: The Senate bill contained a provision that was not contained in the House amendment, requiring that in order to be eligible for section 312 loan assistance the property must be fewer than 100 units, except where the Secretary determines that the loan is essential to community development needs, and there are no alternative sources of financing. The conference report contains the Senate

provision.

Multifamily temporary displacement: The Senate bill contained a provision that was not contained in the House amendment requiring that the Secretary shall make the maximum effort to minimize displacement caused by multifamily section 312 loans. The conference report contains the Senate provision with an amendment requiring that the Secretary shall minimize involuntary displacement caused by multifamily section 312 loans. The conferees wish to make clear that in such efforts to minimize displacement, the Secretary should take displacement into account in selecting and approving multifamily properties for section 312 loan assistance.

Use of private funds: The Senate bill contained a provision that was not contained in the House amendment requiring the Secretary to encourage the use of private funds in conjunction with section 312 multifamily financing where such use is feasible and does not increase displacement. The Senate provision is not contained in the conference report. The conferees do intend that the Secretary should encourage, to the maximum feasible extent, the use of private capital in the multifamily rehabilitation and they expect the Secretary to limit sect on

312 multifamily loans to situations where it is necessary to cause the rehabilitation of the property to occur. In determining the amount of the loan and the interest rate, the conferees believe that the Secretary should also take into consideration the value of the tax preference items available to the owners, as well as their projected cash return on equity.

Additional terms: The Senate bill contained a provision that was not contained in the House amendment authorizing that the Secretary may impose additional limitations and conditions on availability and use of funds. The conference report does not contain the Senate

provision.

Section 312 Loans for Urban Homesteading

Fund allocation/demonstration program: The Senate bill contained a provision that was not included in the House amendment authorizing the Secretary to set aside a portion of the funds for urban homesteading for a demonstration program of homesteading involving multifamily properties on a national basis. The Senate provision is not contained in the conference report.

Limitation: The Senate bil contained a provision that was not contained in the House amendment limiting the use of section 312 funds for locally developed homesteading programs only to programs meeting the requirements of section 810(b) of the Housing and Community Development Act of 1972. The conference report does not contain the

Senate provision.

Reports on Section 312 Loan Program

The Senate bill contained a provision that was not contained in the House amendment requiring that in conjunction with the annual report on the community development block grant program, the Secretary must submit a report on section 312 program which includes a summary of the use of section 312 funds and an evaluation of the progress made toward community development goals. As soon as feasible, but not later than December 1, 1979, an interim report on the use of section 312 funds for multifamily properties with legislative recommendations for improving overall effectiveness must be submitted to the Congress. The conference report contains the Senate provision.

Program Extension

The Senate bill contained a provision that was not contained in the House amendment extending the section 312 loan program for an additional year, through fiscal year 1980. The conference report does not contain the Senate provision.

REHABILITATION LOAN INSURANCE

Authority

The House amendment contained a provision, not contained in the Senate bill, which amended section 203(k) of the National Housing Act to provide the Secretary authority to insure rehabilitation loans made by financial institutions for the rehabilitation of one-to-four family structures used primarily for residential purposes. The conference report contains this provision in its entirety.

Definitions

The House amendment contained several definitions not contained in the Scnate bill which have been retained in the conference report.

Rehabilitation Loan-

The House amendment contained a provision, not contained in the Senate bill, which is also contained in the conference report defining the term "rehabilitation loan" as a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit, made for the purpose of financing (1) the rehabilitation of an existing one-to-four unit structure (primarily used for residential purposes), (2) the rehabilitation of such structure and refinancing of the outstanding indebtedness on such structure and real property on which it is located, and (3) the rehabilitation of such structure and purchase of the structure and real property.

Rehabilitation—

The House amendment contained another provision, not included in the Senate bill, which is also contained in the conference report defining "rehabilitation" as the improvement (including an improvement designed to meet energy conservation standards) or repair of a structure, or facility in connection with a structure, as required by applicable codes, community development plan, or statewide property insurance plan.

Eligibility

The House amendment, but not the Senate bill, provided that to be eligible for insurance, the rehabilitation loan shall involve a principal obligation that does not exceed, when added to any outstanding indebtedness of the borrower, the amount specified in subsection 203(b)(2) of the National Housing Act. The conference report contains this provision.

Interest Rate

The House amendment contained a provision not included in the Senate bill, and contained in the conference report providing that the rehabilitation loan shall bear interest at the rate of mortgages under section 203, except, that a higher rate may be permitted during the rehabilitation period.

Acceptable Risk and Other Conditions

The House amendment contained a provision not included in the Senate bill, providing that the Secretary must determine that the loan is an acceptable risk and that it complies with such other conditions and restrictions as the Secretary shall prescribe. The conference report contains this provision.

Refinancing

The House amendment contained a further provision not included in the Senate bill, which provided that a loan made under this section can be refinanced and extended, as the Secretary may prescribe, but in no event can the loan be extended longer than permitted under section 203(b). The conference report contains this provision.

General Insurance Fund and Insurance Premiums

The House amendment contained a provision, not contained in the Senate bill, which provided that all funds received, and disbursements made under this authority, shall be credited or charged to the General Insurance Fund; Insurance benefits shall be paid in cash or in debentures of the Fund; and that premium charges fixed for this

section may be different from those fixed for mortgages under other provisions of 203, except they may not exceed 1 percent per year. The conference report contains this provision.

GNMA Purchasing Authority

The House amendment contains a provision not included in the Senate bill, but included in the conference report providing that GNMA may purchase rehabilitation loans insured under section 203(k), without existing GNMA limitations on principal obligations.

URBAN HOMESTEADING

Authorization

The Senate bill contained a provision that authorized an appropriation of not to exceed \$26 million for fiscal year 1979, for section 810(g) of the Housing and Community Development Act of 1974, the Urban Homesteading Program. The House amendment contained a provision that authorized an appropriation of not to exceed \$25 million for fiscal year 1979. The conference report contains the Senate provision.

Eligibility

Neighborhood: The Senate bill contained a provision that was not contained in the House amendment authorizing that the Secretary may provide for homesteading in areas not being upgraded, if appropriate, and if such action is requested by the State or local government unit or agency involved. The Senate provision is not contained

in the conference report.

Veterans' Administration: The Senate bill contained a provision that was not contained in the House amendment to make Veterans' Administration properties eligible for homesteading and to require the Veterans' Administration to publish a list of all such eligible properties and, also, to authorize the Secretary to acquire for homesteading purposes such eligible property. The conference report contains the Senate provision.

Grants

Administrative costs: The Senate bill contained a provision that was not contained in the House amendment authorizing the Secretary to make grants to local governments or agencies participating in the Urban Homesteading Program of amounts not to exceed \$60,000 each for administrative costs. The conference report does not contain the

Senate provision.

The Senate bill contained a provision that was not contained in the House amendment permitting the Secretary to make grants to State and local units of government and agencies to pay off mechanics or tax liens on properties acquired by such units of government and agencies and to be used in an Urban Homesteading Program. The maximum amount of such a grant would be the lesser of \$5,000 or the amount of the lien; however, the aggregate of such grants could not exceed \$36 million. The conference report does not contain the Senate provision.

Authorization: The Senate bill contained a provision that was not contained in the House amendment that authorized an appropriation of an amount not to exceed \$45 million in fiscal year 1979 in order to carry out the grant program. The conference report does not contain

the Senate provision.

Section 312 funds for homesteading

Per property: The Senate bill contained a provision, not found in the House amendment, that established for each urban homesteading property, that an \$8,000 section 312 rehabilitation loan must be made available by the Secretary out of the section 312 loan funds set-aside for urban homesteading. The conference report does not contain the Senate provision.

Fund availability: The Senate bill contained a provision, not found in the House amendment, that established that any amount of the proposed set-aside funds available and not used, shall remain available for not to exceed one year for the rehabilitation of other properties in accordance with this section. The conference report does not contain

the Senate provision.

COMMUNITY DEVELOPMENT BLOCK GRANT AMENDMENTS

HAP categories

The Senate bill provided that in developing housing assistance plans communities must include the relative proportion of existing rental and owner-occupied units to be upgraded and thereby preserved. Owners of homes requiring rehabilitation assistance would be added by the Senate bill as a category of lower income persons to be assessed in the housing assistance plan. The House amendment provided that the housing assistance plans be expanded only to include the relative proportion of existing units to be upgraded and thereby preserved. The conference report adopts the Senate provision.

Expected to Reside

The House amendment contains a provision not found in the Senate bill which defines the term "expected to reside" for purposes of the CDBG Housing Assistance Plan as those persons expected to reside as a result of existing or projected employment opportunities in the

community.

The conference report contains the House provision amended to include the elderly who may be expected to reside in the community regardless of their employment status and to permit the term "expected to reside", alternatively, to mean those persons expected to reside in the community as reflected in a community approved state or regional housing allocation plan approved by the Secretary. The provision, as amended, is intended to clearly state the basis upon which a community can be required to develop its housing assistance goals. A community need not set the number of units under the expected to reside element of its housing assistance plan goals at a level greater than that which is needed to accommodate the existing or projected employment opportunities in the community and the elderly who may reasonably be expected to reside there. However, this provision is not intended to preempt a state or judicial requirement that a community undertake a greater share of the responsibility in meeting the housing needs of lower income families. If a community voluntarily accepts a higher level, pursuant to a state or regional housing opportunity plan which the Secretary has approved, that higher level also should be included in the HAP.

The conferees believe that the Secretary should encourage communities to participate in such housing opportunity plans through the use of incentive bonus allocations of section 8 authority, increased section 701 funding for the state or areawide agencies, community develop-

ment block grant funds and other existing authorities. In particular, the conferees expect the Secretary to actively utilize the authority conferred by section 107(a)(2) of the Housing and Community Development Act of 1974 which provides that grants may be made to states and units of general local government which join in carrying out housing and community development programs that are areawide in scope."

The conferees wish to emphasize that the amendment is in no way intended to diminish the congressional commitment made in the Housing and Community Development Act of 1974 and in the Fair Housing Act of 1968 to promote fair housing opportunities in the administra-

tion of all housing and community development programs.

Application Disapproval

The House amendment contained a provision that the Secretary may not disapprove an application because it stresses any one of the CDBG primary purposes of section 104(c)(3) to a greater or lesser degree than any other; the primary purposes would be of a coequal nature. The Senate bill had no provision. The conference report contains the House provision with an amendment which deletes the term "co-equal" and which provides that the Secretary may disapprove an application if she determines that the extent to which a primary purpose is addressed is plainly inappropriate to meeting the needs and objectives which are consistent with the community's efforts to achieve the primary objective of the act.

The conferees agreed that the primary purposes were not to be considered as coequal in a quantitative sense, but that each could, in the light of the individual community's need, be the principal means

for achieving the primary objective of the act.

The conferees wish to reaffirm that the primary objective of the CDBG program is the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Under the program, each applicant community has a clear responsibility to identify its housing and community development needs, and to develop a program which over a three-year period meets these needs, while principally benefiting low

and moderate income persons.

As provided in the statute, the overall objective is to be achieved through activities which carry out three broad national purposes: activities which benefit low and moderate income families, aid in the prevention or elimination of slums or blight or meet particular urgent community development needs, as approved by the Secretary. The spending priorities identified in CDBG applications represent a strategic choice for a community based on its judgment as to which combination of approaches will best serve the overall objective of the program, subject to the Secretary's authority to determine whether the activities to be undertaken are plainly inappropriate in meeting the needs or objectives identified by the community.

The Secretary's responsibility in this process is statutorily defined. The community's application must be approved unless the Secretary

finds one of three things:

(1) that a community's description of its community and housing needs is plainly inconsistent with generally available facts and data; or

(2) that the activities to be undertaken by the community are plainly inappropriate to meeting the needs and objectives identified by the community; or

(3) that the community's application does not comply with

the act or other applicable laws.

There has, however, been some confusion over how the Secretary is to go about making these findings. The amendment is designed to make clear that a determination to disapprove cannot be made simply because an application gives greater or lesser weight to one spending priority in relation to the others, and that any percentage limitations on the level of funds to be allocated shall be strictly avoided, except for review purposes, in order to take account of

unique community needs.

It is the position of the conferees that the Secretary's review of each application (in the context of the three tests listed above) is a review to determine whether the activities designated by the community in its three-year plan are designed to achieve the overall objective of the program. However, the amendment provides that the Secretary may disapprove an application if the extent to which a primary purpose is being addressed is plainly inappropriate to meeting the needs and objectives which are consistent with the community's efforts to achieve the primary objective of the act. An application could be disapproved even though the activity was clearly eligible and fits a primary purpose if the Secretary determined in light of the primary objective of the act that the activity is plainly inappropriate to meeting the community's identified needs or objectives.

UDAG

Neighborhood impact: The Senate bill contained a provision not found in the House amendment which would require UDAG applications to analyze, and the Secretary to use a UDAG selection criterion, the impact of the proposed UDAG program on the residents, particularly those of low and moderate income, of residential neighborhood and on the neighborhood, in which the program is to be located. The conference report contains the Senate provision.

UDAG Eligibility:

The Senate bill contained a provision that was not contained in the House amendment to redefine the requirements of the Urban Development Action Grant (UDAG) program, in order to make eligible for grants under this program cities and urban counties that contain areas within them exhibiting conditions of severe economic and physical distress. The conference report does not contain the Senate provision. The conferees, however, are aware that many cities and urban counties that are not presently eligible to participate in the UDAG program do contain areas that are severely distressed both economically and physically. The conferees are also aware that there is concern over the redirection of UDAG funds from presently-eligible cities and urban counties to cities and urban counties that are not presently eligible to participate in the program.

The conferees, therefore, believe the Secretary of HUD should study these issues and report to the authorizing committees of the Congress by no later than March 31, 1979. This study shall include, but not be limited to, a determination of the problems which presently ineligible cities have in meeting the needs of distressed areas, an analysis of the ability of such communities to meet these needs without

additional Federal assistance, the need for special criteria which can be used to measure levels of ecomomic and physical distress substantially comparable to those otherwise applicable for eligible cities in areas of cities and urban counties that are presently not eligible to participate in the UDAG program, and shall include specific recommendations to enable, if feasible, the UDAG program to meet the conditions in presently ineligible cities and urban counties containing areas of physical and economic distress.

Access to CD programs

The Senate bill provided that no community could be barred from participating in any program authorized under Title I of the Housing and Community Development Act of 1974 solely on the basis of population, except as expressly authorized by statute. The House amendment provided that the Secretary could not establish requirements that limit or exclude the access of any community from community development assistance based on the population of such community, except as expressly authorized by statute. The conference report adopts the Senate provision.

Technical Assistance

The House amendment contained a provision not found in the Senate bill which provided that the technical assistance authorized by section 107(a)(8) of the Housing and Community Development Act of 1974 is to be provided by the Secretary, directly or through contracts, to units of government, or to a group designated by such a governmental unit for the purpose of assisting the governmental unit to carry out its community development program. The conference report contains the House provision.

Effective Data

The House amendment provided that the provisions of Title I would become effective October 1, 1978; except the provisions concerning (1) the "expected to reside" clarification, (2) technical assistance to local governments, and (3) application disapproval, would become effective on the date of enactment of this Act. The Senate bill did not have a similar provision. The conference report contains the House provision.

TITLE II—HOUSING ASSISTANCE PROGRAMS

FINANCIAL ASSISTANCE TO TROUBLED ASSISTED HOUSING PROJECTS

Purpose

The Senate bill contained a provision which stated the purpose of this section as being to provide assistance to restore or maintain the financial soundness, and to maintain the low and moderate income character, of certain projects covered by mortgages insured or assisted under the National Housing Act. The House amendment was similar, except it also had as a purpose the improved management of these projects. The conference report adopts the Senate provision with the added purpose to assist in the improvement of the management of the projects.

Authority

The Senate bill authorized the Secretary to provide financial assistance to owners of rental and cooperative housing projects meeting this

section's requirements. The House amendment was similar, except the Secretary's authority was subject to approval in appropriation acts. The conference report adopts the House provision.

Program Eligibility

The Senate bill made projects initially assisted or approved for assistance under sections 236 or the proviso section 221(d)(5) of the National Housing Act, or section 101 of the HUD Act of 1965, eligible for assistance, except that projects not insured under the National Housing Act could not be provided assistance before October 1, 1979. The House amendment was similar, except there was no provision for those projects approved for assistance, nor that they meet these criteria only initially. The conference report adopts the House provision.

The House amendment also contained three conditions upon which assistance is predicated relating to local governmental relationships to the project: (1) the community in which the project is located has evidenced a commitment to providing essential services to the project; (2) the taxes on the project are no greater than if the project was assessed according to normal property assessment procedures for that community; and (3) the appropriate unit of local government had been consulted to insure that assistance to a project under this program was consistent with local plans. The conference report contains the House provisions amended so that these conditions would not be required to meet prior to funding, rather, the Secretary would be directed to consult with appropriate local officials and seek assurance that: (1) the community in which the project is located is or will provide essential service to the project in keeping with the general level of such services in the community; (2) the taxes on the project are or will be no greater than if the project was assessed according to the community's normal procedures; and (3) assistance under this program would not be inconsistent with local plans and priorities. The conferees expect that the Secretary will actively and affirmatively seek these assurances from the pertinent local officials. The conferees anticipate that the Secretary will receive these assurances prior to making assistance available unless there are extenuating circumstances.

Use of Assistance

The Senate bill contained a provision authorizing the Secretary to provide assistance in an amount consistent with this program, not to exceed the difference between estimated operating costs and project income. The House amendment authorized assistance in any amount consistent with the management-improvement plan and which did not exceed (a) an amount necessary to correct deficiencies caused by the deferral of regular maintenance, (b) an amount necessary to maintain the low and moderate income character of the project by reducing capital item reserve funds, and (c) an amount not greater than the operating deficit. The conference report adopts the House provision.

Estimated Project Revenue

The Senate bill computed overall estimated project revenue as the sum of (a) the amount of rent to be paid by tenants, (b) amount of rental assistance payments made on behalf of tenants, (c) the amount of subsidy to be paid to the owner (such assistance specifically included interest differentials or any other payments to a mortgagee), and (d) other income. The House amendment was similar, except (a) in

estimating anticipated rental income, section 236(f) of the National Housing Act was to be disregarded, and (b) there was no specific identification in the estimate of assistance to owners of interest differentials. The conference report adopts the House provision.

Tenant Contribution

The House amendment had a requirement, not included in the Senate bill, that in computing estimated rent, at least 25 percent of each tenant's income was to be included, or if the tenant pays his or her own utilities, a percentage less than 25 percent taking into account those utility costs, except the total rent could not be more than the fair market rent. The conference report adopts the House provision with an amendment which permits the Secretary to employ an amount less than 25 percent of income in the computation if that lesser amount is provided for under another federally assisted housing program in which the tenant is a participant. The purpose of this amendment is to assure that the tenant's contribution is not over counted in the calculation of estimated rental income. The conferees also wish to make clear that the computation of the tenant contribution can be based on the most recent tenant income certification. It is not the intent of the conferees to require the Secretary to undertake a new income certification procedure.

Delinquency and Vacancy Allowance

The House amendment also required, though the Senate bill did not, that any delinquency and vacancy allowance not exceed six percent of the estimated rent, except that the Secretary could permit a higher leve! if she deemed it appropriate during the first two years in which a project receives assistance under the program. The conference report adopts the House provision amended to permit the Secretary to allow a vacancy and delinquency allowance of greater than six percent during the first three years of assistance rather than two years as in the House amendment. The conferees intend to monitor the use and workability of this provision and if difficulties are encountered they expect the Secretary to recommend appropriate legislative remedies.

Estimated Project Operating Expenses

The House amendment included restrictions on the calculation of estimated project expenses not included in the Senate bill. It specifically excluded the return on the owner's equity as an operating expense, and also required that the operating costs be consistent with the management-improvement plan and provided for the inclusion of the owner's reserve fund as an expense. The conference report adopts the House provison.

Payment Schedule

The Senate bill required that payments under this program be made on an annual basis. The House amendment further required that the assistance be payable in at least quarterly intervals, and that the Secretary review the project's management improvement and operating plan at the time of payment. The conference report adopts the House provision. The Secretary in reviewing the plan should take into account any unanticipated uncontrollable cost increases which occured during the previous quarter and where she deems it appropriate to adjust the project's budget to reflect them. It is, however,

the view of the conferees that such adjustments should be held to a minimum and made only where absolutely necessary.

Discretionary Adjustments

The Senate bill had a provision, not included in the House amendment, authorizing the Secretary to make discretionary adjustments in the annual operating budget and the amount of assistance as necessary to reflect changes in the project's income and operating expenses. The conference report does not contain this provision.

Regulations

The Senate bill authorized the Secretary to issue regulations, and specified inclusion of regulations requiring establishment of a reserve fund or other similar safeguards of a project's financial soundness. The House amendment was similar, but did not specify regulations requiring a reserve fund. The conference report adopts the Senate provision.

Authorization

The Senate bill provided authorizations for appropriations of \$74 million for fiscal year 1979 and \$96 million for fiscal year 1980 in addition to funds made available out of the section 236 reserve fund and all appropriated funds were to remain available until expended. The House amendment provided only an authorization appropriations of \$74 million for fiscal year 1979 in addition to funds made available out of the section 236 reserve fund. The conference report contains the House provision amended to provide that all appropriated funds will

remain available until expended.

The Senate bill contained a provision which required that all excess rental charges credited to the section 236 reserve fund after September 30, 1977, be merged with and be in addition to any funds appropriated for the program and such excess rental charges collected after September 30, 1978, be credited to and be in addition to any appropriation for the program. The House amendment provided that the tax and utility subsidy program authorized by section 236 of the National Housing Act would be repealed effective October 1, 1978, and that all funds in the section 236 reserve fund after October 1, 1978, could only be used, subject to approval in an appropriations act, for the program authorized by this section but that no such funds could be so approved for any fiscal year beginning after September 30, 1979. The conference report contains the House provision amended such that only funds credited to the section 236 reserve fund after October 1, 1978, would be limited to use in the program authorized by this section. The conferees adopted this amendment so as to not prejudice the pending dispute between the Department and a class of tenants over the previous lack of use of the section 236 tax and utility subsidy program. Should a disposition of the dispute be made which leaves unobligated funds in the section 236 reserve fund, the conferees expect that legislative action will be taken to make such funds available for the program authorized by this section.

TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS

Purpose

The Senate bill contained a provision not contained in the House amendment which stated a recognition of the importance and benefits of cooperation and participation of tenants in creating a suitable living environment and contributing to the successful operation of multifamily housing projects. The conference report contains the Senate provision.

Definition of Multifamily Housing Projects

The Senate bill contained a provision, not in the House amendment, which defined a multifamily housing project as one which (1) is covered by a mortgage insured under the National Housing Act and assisted or approved for assistance under section 236 or the proviso in section 221(d)(5) of the National Housing Act or under section 101 of the Housing and Urban Development Act of 1965, or (2) met the foregoing criterion and has been acquired and sold by the Secretary subject to a mortgage insured or held by the Secretary to a purchaser with whom, at the time of sale, there is an agreement to maintain the low-tomoderate income character of the project, or (3) is owned by the Secretary or covered by a mortgage insured the National Housing Act, or held by the Secretary, and is serving predominately low- and moderateincome tenants. The conference report contains the Senate provision amended to conform the definition of a multifamily housing project to that contained in the definition of an eligible project in section 201(c) of this act.

Program

The Senate bill contained a provision not in the House amendment which required the Secretary to adopt such measures as deemed appropriate to assure that: (1) tenants have adequate notice of, reasonable access to relevant information about, and an opportunity to comment on, major actions affecting rents, physical condition, or management of multifamily projects, and in the case of a HUD-owned project, disposition of the project; (2) owners cooperate is assisting tenants in obtaining rent subsidies or other assistance; (3) tenants are not evicted without good cause or adequate notice of the reasons therefore; and (4) owners cooperate with resident tenant organizations

and do not interfere with the right of tenants to organize.

The conference report contains the Senate provision amended so that the Secretary shall assure that: (1) where the Secretary's written approval is required with respect to an owner's action, and the Secretary deems it appropriate, tenants have adequate notice of, reasonable access to relevant information about, and an opportunity to comment on such actions, and in the case of a HUD-owned project, disposition of the project and that such comments are taken into consideration by the Secretary prior to granting approval for the action; (2) owners not interfere with the efforts of tenants to obtain rent subsidies or other assistance; (3) leases approved by the Secretary provide that tenants may not be evicted without good cause or adequate notice of the reasons therefore, and do not contain unreasonable terms and conditions; and (4) owners do not impede the reasonable efforts of resident tenant organizations to represent their members or the reasonable efforts of tenants to organize.

The conferees recognize that tenants, together with owners, mortgagees and the Secretary of HUD must be concerned with the longterm physical and economic well-being of assisted multifamily housing projects. To better assure that the potential benefit of tenants' experience is reflected in the operation of a project, the Secretary has been directed to assure that with respect to those major actions of an owner for which the Secretary's written approval is required, and for which the Secretary believes that tenants have a significant contribution to make in assisting in the formulation of the Secretary's decision, tenants have an opportunity to provide such input to the Secretary and that the Secretary will consider the tenant comments in a timely manner and avoid delay. The conferees do not envision that the Secretary will require such input in all of the Secretary's decisions affecting a project, such as releases from residual receipts accounts, but only major actions such as rent increases, a change in ownership or management, a conversion of use, release of security, a demolition, or major physical alterations to the project.

With respect to rent subsidies or other public assistance, owners are to make available to residents any information prepared and distributed to the project by the Department of Housing and Urban

Development regarding such programs and assistance.

Funding

The Senate bill contained a provision not in the House amendment which authorized the Secretary, in carrying out the other provisions of the section, to prescribe standards for compliance which might include approval of reasonable expenditures from project income to support resident tenants' organizations. The conference report does not contain this provision. The conferees believe that the Secretary now has authority to approve reasonable expenditures from project funds to pay for tenant activities related to the project. The conferees wish to indicate that this authority includes, for example, the approval of expenditures necessary to make meeting spaces available to tenants and representative tenant organizations in situations where charges are normally imposed for the use of such facilities. Clearly, project owners are not to be permitted to unreasonably withhold the use of such spaces when requested by representative tenant organizations.

Discretion

The Senate bill had a provision not found in the House amendment which authorized the Secretary to take such actions and prescribe such standards for compliance as the Secretary deemed appropriate to effectuate the purposes of this section. The conference report does not contain this provision but does include language which postpones the effective date of the section for ninety (90) days following the effective date of this Act so as to permit the Secretary to prepare and promulgate regulations implementing this section.

MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY HOUSING PROJECTS

Declaration of Policy and Objectives

The Senate bill contained a provision not in the House amendment providing that the goals of the property management and disposition program of HUD shall be to dispose of projects in the least costly fashion while still furthering the policy objectives of: preserving housing units available and affordable to low- and moderate-income families, revitalizing residential neighborhoods, maintaining existing housing stock, minimizing displacement and demolishing projects

only as a last resort. The Secretary was authorized to balance these competing goals in a manner the Secretary deems will further the

overall purpose of the section.

The conference report states that the purpose of the property management and disposition program of HUD shall be to manage and dispose of projects in a manner which will protect the financial interests of the federal government and be less costly to the federal government than other reasonable alternatives by which the Secretary can further the goals of:

(1) preserving the housing units so that they can remain available to and affordable by low- and moderate-income families;

(2) preserving and revitalizing residential neighborhoods;(3) maintaining the existing housing stock in a decent, safe

and sanitary condition;
(4) minimizing the existing housing stock in a decent, safe
and sanitary condition;

(5) minimizing the need to demolish projects.

It also provides that the Secretary, in determining the manner by which a project shall be managed or disposed of, may balance competing goals in individual projects so as to further the achievement of the overall purpose of this section.

Authority and Evaluation of Potential Purchasers and Managers

The Senate bill contained a provision not in the House amendment which provided that notwithstanding the provisions of the Federal Property and Administration Services Act of 1949 or any other law, the Secretary would be authorized to: (1) dispose of HUD-owned multifamily projects on a negotiated, competitive bid or other basis to a qualified purchaser after considering the low- and moderateincome character of the project and the goals of this section; and (2) to contract for management services on a negotiated, competitive bid, or other basis. The Senate bill also provided that in evaluating the qualifications of potential managers and purchasers of multifamily projects, the Secretary must consider, among other factors: (a) ability to implement sound financial management, (b) ability to provide sound physical management, (c) ability to respond to the economic and social needs of lower income tenants, and work cooperatively with resident organizations, (d) responsiveness of the proposed management plan to the needs of the property and the residents, (e) adequacy of organizational, staff and financial resources, and (f) the cost of services.

The conference report deletes the reference to the Federal Property and Administration Services Act or any other laws and provides that the Secretary is authorized to dispose of a multifamily housing project owned by the Secretary on a negotiated, competitive bid, or other basis, on such terms as the Secretary deems appropriate considering the low- and moderate-income character of the project and the goals and requirements of this section, to a purchaser determined by the Secretary to be capable of (1) satisfying the conditions of the disposition; (2) implementing a sound financial and physical management program; (3) responding to the needs of the tenants and working cooperatively with resident organizations; (4) providing adequate organizational, staff and financial resources to the project; and (5) meeting

any other requirements as the Secretary may impose.

In addition, the conference report provides that the Secretary is authorized to contract for management services for a HUD-owned multitamily housing project on a negotiated, competitive bid, or other basis at a price determined by the Secretary to be reasonable, with a manager the Secretary has determined is capable of satisfying the similar requirements as those imposed on a purchaser except there is no requirement dealing with the condition of disposition.

Secretary's Maintenance Duty and Full Occupancy

The Senate bill contained a provision not in the House amendment which provided that the Secretary shall maintain all occupied, HUD-owned multifamily projects in a decent, safe and sanitary condition, and that the Secretary maintain full occupancy in such projects.

The conference report contains these two provisions, but provides an exception to these obligations where the Secretary has determined on a case-by-case basis that such policies would be clearly inappropriate given the manner in which the Secretary has determined an individual project will be managed or disposed of pursuant to the goals of this section.

Tenant and Neighborhood Participation in Project Maintenance

The Senate bill contained a provision not contained in the House amendment requiring the Secretary to make reasonable efforts to encourage the employment and training of tenants of HUD-owned housing projects and residents of the neighborhoods in which these projects are located in the repairs and maintenance of these projects. The conference report does not contain this requirement; however, the conferees believe that substantial benefits may be obtainable from such efforts and that the Secretary is encouraged to maximize opportunities for such employment.

Technical Assistance for Developing Cooperatives to Purchase Projects

The Senate bill contained a provision not contained in the House amendment which authorized the Secretary to consult with and furnish technical assistance to tenants and organizations for the purpose of developing nonprofit cooperatives which will purchase HUD-owned multifamily projects, and to develop tenant management capabilities. The conference report does not contain this provision. However, the conferees believe that the Secretary now has the authority to initiate such efforts and wish to encourage the use of the Department's existing technical assistance resources to assist in the conversion of HUD-owned projects to tenant ownership and in the development of tenant management capabilities.

Tenant Displacement

The Senate bill contained provisions, not included in the House amendments, which provided that whenever tenants will be displaced as a result of the disposition of, or repairs to, a multifamily HUD-owned project, the Secretary shall notify such tenants of pending displacement and the relocation assistance to be provided. In addition, the Secretary would be required to seek to assure maximum opportunity for any displaced tenant to return to a repaired unit, to occupy a unit in another project owned by the Secretary, to obtain assistance under the U.S. Housing Act of 1937, or receive such relocation assistance as the Secretary deems appropriate.

The conference report contains these provisions. In determining the level of relocation assistance to be provided in specific instances, the Secretary should consider both the need and the income of the dis-

placed tenants.

Alternatives to Assignment of an Insured Mortgage

The Senate bill contained a provision not contained in the House amendment which provided that whenever the Secretary is requested to accept assignment of a mortgage insured by the Secretary covering certain types of multifamily housing projects, and the Secretary determined that partial payment of a claim would be least costly to the federal government than other reasonable alternatives for maintaining the low- and moderate-income character of the project, the Secretary could request the mortgagee, in lieu of assignment, to accept partial payment of the claim under the mortgage insurance contract, and recast the mortgage. The provision also provided that, as a condition of such partial payment, the mortgagor agree to repay the amount of such payment to the Secretary with this obligation secured by a second mortgage on the project. The Secretary was provided the authority to define the terms and conditions of both the recast first mortgage and the new second mortgage.

The conference report contains the Senate provision. The conferees believe that in limited instances this new authority may be a very useful additional tool which the Secretary might utilize to effectuate the overall goals of the National Housing Act and of the Congress as set forth in this section. The conferees wish to make explicit that a mortgagee's participation in such an arrangement would be purely voluntary and based on its determination that such an arrangement would be in its own best interest. The conferees expect that this authority will be used sparingly and direct the Secretary to consult with the appropriate committee of both the Senate and the House of Representatives on guidelines for its use, and at least, during the initial period of its use, to periodically report to the committee on those specific instances in which the authority is being utilized.

The conferees believe that this new authority, together with other policies of the Department with respect to troubled multifamily housing projects and the disposition of HUD-owned projects such as the assignment and modification of mortgagees, work-out arrangement, and transfers of assets from nonprofit sponsors to limited dividend owners, must be coordinated and utilized in a consistent manner. The conferees accordingly direct the Secretary to take steps to assure that these activities and policies are consistent and effectively coordinated, an the conferees intend to carefully monitor and review policy development and implementation in these areas.

Definition of Multifamily Housing Project

The Senate bill contained a provision defining "multifamily housing projects" for the purposes of this section as a multifamily project determined by the Secretary to be serving predominately low- and moderate-income tenants. The House amendment contained no such provision. The conference report defines this term to mean a multifamily project which is or prior to acquisition by the Secretary was assisted under section 236 or the proviso of section 221 (d) (5) of the National Housing Act or under section 101 of the Housing and Urban Development Act of 1965, and insured under the National Housing Act.

Housing Access

The Senate bill contained a provision, not included in the House amendment, providing that the Secretary require any purchaser of a HUD-owned multifamily project to agree not to refuse unreasonably to lease a vacant dwelling unit which rents for an amount not greater than the fair market rent for a comparable unit in the area, as determined under section 8 of the U.S. Housing Act of 1937, to a holder of a certificate of eligibility under that section solely because such prospective tenant is a certificate holder. The conference report contains the Senate provision with an amendment providing that this requirement pertains only to a project sold on or after October 1, 1978.

HOUSING FOR THE ELDERLY AND HANDICAPPED

The House amendment contained a provision not found in the Senate bill which provides that a corporation for purposes of the section 202 program must, in addition to existing requirements, have a governing board which has been selected so as to assure significant representation of the views of the community and that the board is responsible for the operation of the section 202 project. The conference report contains the House provision. This provision is intended to increase the involvement of local residents in the development and operation of section 202 housing projects, however, the conferees wish to make clear that this increase in local involvement is not intended to limit the participation of national nonprofit organizations in the

program.

The conferees are aware that there has been some confusion over whether chronically mentally ill persons are eligible for section 202 housing. It is the view of the conferees that many chronically mentally ill persons could fulfill the statutory definition of handicapped and thus would be made eligible for section 202 housing. The conferees wish to make clear that it was never the intent of Congress to exclude chronically mentally ill persons from participating in the section 202 program. However, the conferees are aware that the housing needs of some chronically mentally ill persons may differ from those of other handicapped persons and that the Department has not heretofore had experience with providing housing for such persons. The conferees therefore expect that the Secretary will promptly develop criteria and standards for housing for the chronically mentally ill so that such persons can become active participants in the program. In this regard, the conferees believe that the current HUD demonstration can provide an ongoing useful basis for evaluating such criteria and standards.

LOW-INCOME HOUSING

Set-asides

The Senate bill required a set-aside from the annual contributions contract authority provided for fiscal year 1979 of at least \$50 million for the modernization of conventional public housing projects and of \$30 million for a new homeowner's rehabilitation assistance program. The House amendment deleted, as of October 1, 1978, the set-aside of funds from the annual contributions contract authority for the modernization of public housing projects. The conference agreement contains the Senate provision amended to delete the set-aside for the homeowner's rehabilitation assistance program.

The conferees are very concerned about the physical conditions of existing public housing projects and believe that increased amounts of funding must be directed to modernize and restore these projects to decent, safe and sanitary conditions. The conferees are concerned that the Department may be adopting an inconsistent position in urging

communities to accept greater amounts of public housing while not making sufficient funds available to upgrade, preserve and modernize existing projects. In addition, while fully supporting the Department's efforts to upgrade some of the nation's largest, worst, but still salvageable projects, the conferees strongly believe that modernization funds should be made available to all existing projects which require these funds regardless of their size. It appears inconsistent for HUD to encourage the allocation of public housing units in smaller, scattered, and decentralized packages and not fully support the modernization

of existing smaller projects.

Although the conference report does not contain the homeowners rehabilitation assistance program, the conferees wish to encourage the rehabilitation of one-to-four family dwelling units by persons of all incomes. To this end, the conferees have expanded the section 312 rehabilitation loan program and amended section 203(k) of the National Housing Act. In addition, community development funds are available if communities wish to utilize such funds for this purpose. Both section 235 of the National Housing Act and the low-rent public housing program provide authority to assist efforts by lower-income families to become homeowners. Efforts are also underway by the Neighborhood Reinvestment Corporation in supporting the Neighborhood Housing Services of America to address the problems of homeownership and neighborhood revitalization. In order that both Houses may consider recommendations for possible inclusion in next year's legislation, the conferees direct the Secretary to submit a report to Congress by March 15, 1979, which examines existing authorities and programs with a view toward increasing, maintaining, and coordinating opportunities for rehabilitation and homeownership by lower-income families. The report should include an examination of the desirability of a section 8 program of the type proposed in the Senate bill or other assisted housing programs, as well as counseling and special programs, as a means to assist lower-income homeowners. The Secretary may include in this report legislative recommendations which she believes necessary to carry out these objectives. The conferees agree that both bodies will review the Secretary's report in their hearings on housing legislation next year.

Consistency with Housing Assistance Plans (HAPs)

The House amendment contained a provision not included in the Senate bill which made applicable to additional annual contributions contract authority provided on or after October 1, 1978, the requirement that programs under the U.S. Housing Act of 1937 be administered to provide assistance for new, substantially rehabilitated and existing units to the maximum extent consistent with the allocation formula under section 213(d) of the 1974 Housing and Community Development Act and with communities' Housing Assistance Plans. The conference report contains this provision.

Notice to vacate

The House amendment contained a provision not included in the Senate bill which gave the owner of a section 8 project the right to give notice to vacate in accordance with such State and local laws as the Secretary has determined give adequate protection to the tenants, and in accordance with the determination of the public housing authority pursuant to review procedures approved by the Secretary. The conference report does not contain this provision.

Section 8 Substantial Rehabilitation

The House amendment contained a provision dealing with section 8 substantial rehabilitation that was not included in the Senate bill. The House amendment provided that the maximum rent could not be greater than the fair market rents for new or existing section 8 units, or a lesser amount that would be appropriate taking into consideration the owner's investment in the assisted units, and other relevant factors. The assisted units were to be rehabilitated to a level not beyond applicable codes and standards and had to meet cost-effective, energy efficiency standards. In addition, all units of the building in which the assisted units are located had to meet applicable codes and standards for decent, safe and sanitary housing as prescribed by the Secretary. The maximum term for assistance contracts on substantial rehabilitated units could not exceed the maximum established for new section 8 units under existing law or a shorter term if determined to be appropriate because of the owner's investment or other relevant factors. Finally, this subsection would be effective for contracts entered into on or after 180 days after enactment. The conference report contains the House provision amended so that the subsection would be effective 270 days after enactment.

Contracts to Upgrade

The Senate bill contained a provision not included in the House amendment which (notwithstanding any other provision of section 8) authorized assistance payments to owners or prospective owners who agreed to upgrade housing and, thereby, preserve it through upgrading which is less than substantial rehabilitation; assistance could be made to any unit in a project which, overall, needed upgrading. The conference report contains this provision amended to delete the phrase "notwithstanding any other provision of section 8".

Percentage of Single Non-Elderly

The Senate bill contained a provision not included in the House amendment which specified that in cases where a "family" under section 8 or public housing consists of a single person who is not disabled, displaced, the remaining member of a tenant family, nor 62 years of age or older, nor more than 20 percent of the units under the jurisdiction of any public housing agency should be occupied by such persons. The conference agreement contains this provision amended to change the percentage limitation to 15 percent.

Effective Date

The House amendment contained a provision not included in the Senate bill which established that the amendments of this section, except for the subsection on section 8 assistance for substantial rehabilitation; became effective on October 1, 1978. The conference report contains this provision.

PUBLIC HOUSING SECURITY DEMONSTRATION

Findings

Both the Senate bill and the House amendment set forth Congressional findings that low-income and elderly public housing residents are being threatened as a result of inadequate security arrangements to prevent physical violence, theft, burglary and other crimes and that an integral part of successfully providing decent, safe and sanitary dwellings for low-income persons is to insure that the housing is

secure. In addition, the Senate bill declared that living in an unsecure housing environment has forced these residents to restrict their lives and use of the environment because of concern about crime; that residents are abandoning public housing projects at a time when there is an increasing demand for public housing units; that higher vacancy rates and heavy financial losses of management in some cases have led to abandonment of public housing projects; that local public housing authorities have inadequate security arrangements for the prevention of crime and vandalism and lack specific operating funds to provide security; and that action is needed to provide for the security of these residents and to preserve the Nation's investment in its public housing stock.

The House amendment declared that: older persons generally regard the fear of crime as the most serious problem in their lives; crime and the fear of crime have lead some residents to move from public housing; and public housing authorities may have inadequate security arrangements for the prevention of crime and vandalism. The conference report includes the House provision amended to add a finding that action is needed to provide for the security of public housing residents and to preserve the Nation's housing stock.

Policy

Both the Senate bill and the House amendment declared that the policy of the United States is to provide for the demonstration and evaluation of more effective means of mitigating crime and vandalism in public housing projects. The Senate bill, in addition, established as a policy, the development of a comprehensive program for reducing crime and vandalism in all the Nation's public housing projects. The House amendment declared the purpose of the policy was to provide a safe living environment, particularly for the elderly residents of public housing projects. The conference report contains the House provision.

Program Authority

The Senate bill directed the Secretary of HUD to initiate promptly a program for the development, demonstration, and evaluation of improved, innovative community anticrime and security methods to reduce crime in public housing projects and their surrounding neighborhoods. The House amendment is similar except it limits the Secretary to initiating and carrying out the program during the fiscal year beginning on October 1, 1978, and to the extent approved in appropriation Acts. The conference report includes the House provision.

Project selection

The Senate bill and the House amendment both provided that in selecting projects to receive assistance under this section, the Secretary must consider the extent of crime and vandalism, the nature and quality of community anticrime efforts in the projects and surrounding areas, the nature and quality of police and other protective services to the projects, the vacancy rate and demand for public housing in the locality, and the extent of abandonment of public housing units. In addition, the Senate bill stated that priority must be given to plans submitted by public housing authorities which provide for the restoration of abandoned dwelling units, coordination between public housing management and local government in providing security and social services to the projects and tenants, and maximum opportunity for tenant involvement and employment in the security programs.

The House amendment required the Secretary to assure, in selecting projects, that a broad spectrum of project types, locations and tenant populations are represented. The conference agreement contains the House provision.

Coordination of resources

The Senate bill provided that the Secretary must make every effort to coordinate and jointly target resources with other agencies in carrying out this demonstration program—particularly the Law Enforcement Assistance Administration, the Department of Health, Education and Welfare, the Department of Labor, Community Services Administration, and ACTION. The House amendment directed the Secretary, in selecting anticrime and security methods to be demonstrated, to give particular attention to comprehensive plans submitted by public housing authorities which provide for coordination between housing management and local law enforcement officials or coordination of resources available through LEAA, HEW, the Department of Labor, CSA, ACTION, or other State or Federal agencies. The conference agreement contains both the House and Senate provisions.

Survey and report

Both the Senate bill and the House amendment directed the Secretary of HUD to carry out a survey of crime in public housing projects in the Nation, and report to the Congress within 18 months after the date of enactment. The report must include information on the level of crime and vandalism, findings from the demonstration and evaluation of various methods of reducing crime levels, recommendations for a comprehensive program to provide increased security to all public housing projects, and the estimated costs of such program. In addition, the House amendment directed the Secretary to (1) survey the nature and extent of resources currently available and employed to alleviate crime and vandalism in public housing; and (2) make legislative recommendations for increasing the coordination between anticrime programs of other State and Federal agencies that may be used by public housing authorities. The conference report contains the House provision.

Authorization

The Senate bill authorized that not more than \$10 million from fiscal 1979 funds appropriated for the public housing operating subsidy program be used for this program. The House amendment directed that not more than \$12 million from fiscal 1979 funds appropriated for HUD's assisted housing contract authority be used for this program. The conference report contains the House provision. The conferees clearly intend that the \$12 million be available only to provide single-year grants for fiscal year 1979 and are not to be used to fund long-term contracts under this demonstration program. The conferees further intend that (except for up to \$1 million) the funds authorized for this program not be counted as a portion of the \$50 million set-aside for modernization contracts.

SECTION 8 DEMONSTRATION

The House amendment contained a provision that was not contained in the Senate bill directing the Secretary to conduct a demon-

stration to determine new methods for improving the section 8 program to encourage owners to make wider use of it for low income families, especially those who have more than two children, in areas with low vacancy rates. The Secretary was permitted to use additional annual contributions contract authority, subject to appropriations, to carry out the proposed study; and was directed to report the results of the study to both Houses annually during the period in which it was being carried out. The conference report contains the House provision amended so that the Secretary is required to examine alternative means of encouraging section 8 housing development for large families in low vacancy areas, and to report to Congress with any legislative recommendations within a year.

SECTION 8 HOMEOWNERS' REHABILITATION ASSISTANCE

Set-aside

The Senate bill contained a provision not found in the House amendment which would authorize a set-aside of not less than \$30 million in fiscal year 1979 from section 8 funds for assistance payments to lower income homeowners who obtain private rehabilitation loans. The conference report does not contain this provision.

Contract Term

The Senate bill had a provision not found in the House amendment which provided that each contract entered into under this program must be for a term of not less than one month nor more than 180 months. The conference report does not contain this provision.

Program

Eligible units: The Senate bill had a provision not found in the House amendment which provided that the Secretary may contract with PHAs so that the PHAs may make assistance payments with respect to loans to finance the rehabilitation of one-to-four family units owned and occupied by lower income families where the rehabilitation is carried out in accordance with a plan for rehabilitation meeting requirements, or contained in, an applicable HAP. Where the local PHA has extended such assistance, the PHA, local government agency, or nonprofit neighborhood entity designated by the local government or the Secretary, would be required to provide homeowner counseling and monitoring concerning the extent of rehabilitation activities and the eligibility of contractors to conduct such rehabilitation. The conference report does not contain this provision.

Amount of assistance: The Senate bill contained a provision not found in the House amendment which provided that the amount of assistance would be the lesser of the monthly costs of principal, interest, and other amounts of repayment of the loan, or an amount equal to the difference between the contribution to monthly housing costs made by the homeowner pursuant to section S(c)(3) of the U.S. Housing Act of 1937 and the total monthly housing cost. These assistance payments would be periodically paid to the lender in accordance with the Secretary's regulations. The conference report does

not contain this provision.

Eligible types of loans: The Senate bill contained a provision not found in the House amendment which provided that no contract could be entered into except with respect to loans: (A) made by federally chartered or insured financial institutions, or other entities

approved by the Secretary or by the applicable unit of local government in accordance with the Secretary's regulations; (B) which finance activities approved by the applicable unit of local government, or which could be financed under home improvement loans under Title I of the National Housing Act; (C) which finance rehabilitation activities by the owner, or by contractors approved by the applicable unit of local government; and (D) which have terms not in excess of those under Title I of the National Housing Act. The conference report does not contain this provision.

Regulations: The Senate bill contained a provision not found in the House amendment which authorized the Secretary to issue such regulations as are necessary to assure that the costs of rehabilitation would not exceed the costs necessary to meet local housing codes or other appropriate standards. The conference report does not contain

this provision.

SOLAR UNITS

Purpose

The Senate bill contained a section that was not included in the House amendment which was designed to encourage the installation of solar energy systems in assisted residential housing projects. The Senate bill declared that the purpose of the section is to promote the application of viable solar energy installations as the most dependable, pollution-free, and desirable source of energy for residential housing units. The conference report includes the Senate provision amended to state that viable solar energy systems are a desirable source of energy for residential housing.

Authority

The Senate bill authorizes the Secretary of HUD to permit the installation of solar units which are economically feasible in residential housing assisted through the section 312, section 202, and section 8 programs. The conference report amends the Senate provision to require that the solar energy systems be cost-effective, as well as economically feasible. Cost-effective means that over the useful life of the solar system, sufficient non-renewable energy will be saved to pay for the cost of the system including financing costs. The conferees expect that HUD will develop guidelines to assist builders in determining what solar systems will be cost-effective given regional differences in climate and projected energy costs. In no event do the conferees expect fair market rent levels to be increased to cover the cost of solar energy systems.

Definitions

The Senate bill included the following items in the definition of solar units: active and passive solar thermal energy equipment; photovoltaic cells; devices or techniques which conserve energy by increasing the energy efficiency of existing equipment, methods of operation or systems which use fossil fuels and which are on the Energy Conservation Measures List of the Secretary of Energy; equipment whose primary purpose is the production of energy from wood, biological waste, grain or other biomass source, district heating equipment; hydroelectric power equipment, wind energy conversion equipment, or engineering, architectural, consulting or other professional services necessary for the use of the solar units. The conference agreement amends the Senate provision to define a "solar energy"

system" as any addition, alteration, or improvement to an existing or new structure which is designed to utilize wind energy or solar energy either of the active type based on mechanically forced energy transfer or of the passive type based on convective, conductive, or radiant energy transfer or some combination of these types to reduce the energy requirements of that structure from other energy sources, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary of the Department of Housing and Urban Development in consultation with the Secretary of Energy.

Guidelines

The Senate bill also contained a provision directing the Secretary of HUD to develop within twelve months of enactment, guidelines to determine the long-term economic feasibility of solar units. The conference report does not contain this provision. The conferees expect that existing FHA minimum property standards, amended, if necessary, to cover solar energy systems as defined in this section, will provide adequate guidelines as to the quality of, and construction standards for, solar systems permitted under this section. However, the conferees expect that HUD will develop additional guidelines to assist builders in determining what solar systems will be cost-effective given regional differences in chimate and projected energy costs.

Promotion

The Senate bill contained another provision directing the Secretary of HUD to take the steps necessary to promote the installation of economically feasible solar units in residential housing, taking into account the interests of low-income homeowners and renters. Those actions were to include publicizing the availability and feasibility of solar units to current or potential recipients of assistance from HUD. The conference agreement amends the Senate provision to direct the Secretary of HUD to encourage the installation of solar energy systems in residential housing assisted through the section 8, section 202, and section 312 programs.

Report

The Senate bill contained a requirement that within 18 months of enactment, the Secretary of HUD, in conjunction with the Secretary of Energy, should report to Congress regarding: (1) the number of solar units contracted for or installed as a result of this provision within the first 12 months of enactment; (2) the number of solar units projected to be contracted for or installed under all HUD programs by the end of calendar year 1985, and recommendations for increasing this number given a reasonable range of economic assumptions and specifying alternative Federal incentives that could be used; (3) recommendations regarding the most effective Federal incentive for increasing the affordability of solar units in residential housing during the first five years after the installation of such units; and (4) an analysis of the feasibility of using community-scale solar energy and other alternative energy approaches and then applicability to community development activities.

The conference report amends the Senate provision to require the Secretary of HUD, in conjunction with the Secretary of Energy, to report to Congress within 18 months of enactment regarding the effectiveness of this solar program. The report is to include the number of solar systems contracted for, installed, or under order within the section 8, section 202, and section 312 programs during the first 12 months after enactment and an analysis of any problems and benefits related to encouraging the use of solar systems in these programs.

TITLE III—PROGRAM AMENDMENTS AND EXTENSIONS

COMPREHENSIVE PLANNING ASSISTANCE

The Senate bill contained a provision authorizing an appropriation of not to exceed \$57 million for fiscal year 1979 for section 701 comprehensive planning assistance. The House amendment contained a provision authorizing an appropriation of not to exceed \$65 million for fiscal year 1979. The conference report contains the Senate provision.

FEASIBILITY STUDIES

The House amendment and the Senate bill contained a provision authorizing the HUD Secretary to conduct demonstrations to determine the feasibility of expanding homeownership opportunities in urban areas through the conversion of multifamily housing to condominium or cooperative ownership by individuals and families. The Senate bill contained an additional provision allowing for other techniques besides conversion to cooperatives and condominiums for expanding homeownership opportunities. The conference report contains this Senate provision.

The House amendment contained a provision authorizing the HUD Secretary to conduct a study of the feasibility of underground residential housing and changes in housing codes and financing which may therefore be necessary; a preliminary report to both Houses at the end of the first year after enactment and a final report within 2 years, with both findings and legislative recommendations. The Senate bill contained no provision. The conference report contains the House provision with an amendment deleting the preliminary report and reducing the period for the study to 1 year from 2 years.

CRIME INSURANCE AND RIOT REINSURANCE

The House amendment contained provisions authorizing the HUD Secretary to provide new crime insurance and riot reinsurance through September 30, 1979; to continue existing crime insurance and riot reinsurance coverage through September 30, 1982; and extending to September 30, 1979, the submission date for the Secretary's plan for liquidation of these insurance programs. The Senate bill authorized the HUD Secretary to provide new crime and riot reinsurance through September 30, 1981, extending existing crime and riot reinsurance coverage through September 30, 1984, and extending the submission date for the Secretary's plan for liquidation of these insurance programs until September 30, 1982.

The conference report contains the Senate provisions with an amendment providing for new crime and riot reinsurance through September 30, 1980, continuing existing crime and riot reinsurance coverage through September 30, 1983, and extending the submission date for the Secretary's plan for liquidation of these insurance programs through September 30, 1981.

FAIR PLAN RATES

The House amendment contained a provision not included in the Senate bill providing that on and after January 31, 1979, no risk insured under a FAIR plan shall be at a rate higher than the rates set by the principal State-licensed rating organization for essential property insurance in the voluntary market; except this provision does not prohibit the non-discriminatory application to any such risk of condition charges for substandard physical conditions within the control of the applicant as set by the principal State-licensed rating organization. The conference report contains the House provision.

FLOOD INSURANCE

The House amendment contained provisions authorizing the HUD Secretary to provide new flood insurance through September 30, 1979, and to provide subsidized flood insurance under HUD's emergency program in communities (for which no actuarial rates and elevation studies have yet been completed) through September 30, 1979. The Senate bill authorized the HUD Secretary to provide new flood insurance through September 30, 1980, and extended the emergency program through September 30, 1980. The conference report contains the Senate provisions.

NATIONAL NEIGHBORHOOD POLICY ACT

The Senate bill contained provisions authorizing the National Commission on Neighborhoods' study to be submitted within 15 months (rather than 1 year) from date when NNPA funds first became available, and increasing from \$1 million to \$1,500,000 the authorization for the NNPA. The House amendment contained no provision. The conference report contains the Senate provision authorizing the additional time for the National Neighborhood Commission to complete its study, but contains no provision for additional funding authority.

HUD DAY CARE CENTERS

The Senate bill contained a provision authorizing the HUD Secretary to establish one or more day care center facilities as well as to participate in the establishment of interagency day care facilities for children of households of HUD employees, and to establish appropriate fees and charges, and also authorized the Secretary to provide limited start-up costs for any such facilities in an amount limited to 3 percent of the first year's operating budget, but not to exceed \$3,500. The House amendment contained a similar provision but did not authorize the Secretary to provide limited start-up costs for such facilities. The conference report contains the Senate provision.

SALE OF SURPLUS LAND FOR HOUSING

The Senate bill contained a provision revising certain provisions of the Housing and Urban Development Act of 1969 so as to permit surplus Federal real property to the Secretary of HUD for sale or lease at its fair value for use as housing to be occupied by predominantly low- and moderate-income families or individuals assisted under a Federal housing program, a State or local program with the same general purpose, and for related public commercial or industrial facilities approved by the Secretary. Prior to any such disposition to a nonpublic body, the Secretary would be required to notify the local unit of government, and could not dispose of the property if such disposition is objected to within 90 days by the local government. However, the Senate provison authorized the Secretary to override the objections of the local governing body if Secretary determines that (1) the proposed disposition would be consistent with any approved housing assistance and community development plans developed by the local body pursuant to the Housing and Community Development Act of 1974, or (2) in cases where such plans are not available, that there is a need for low- and moderate-income housing, taking into consideration any applicable State housing plans, and that there are or will be public facilities available in the area adequate to serve any housing project proposed in conjunction with the proposed disposition of Federal lands.

The House amendment contained a provision similar to the provision in the Senate bill, except that the provision in the House amendment contained no authority for the Secretary to override the objections of

the local government.

The conference report contains the Senate provision. The conferees wish to make clear that the authority provided the Secretary to override the objections of the local government is limited and is intended to give the Secretary only the same authority which the Secretary now has to approve applications for assistance under various federally assisted housing programs pursuant to section 213 of the Housing and Community Development Act of 1974. In every instance where the disposition of federal surplus property is for the purpose of making land available for low and moderate income housing and where a housing assistance plan exists, such disposition must be pursuant to a housing assistance plan adopted by the particular community in which the property is located.

INCREASE IN GNMA PURCHASE AUTHORITY AND LIMITS

The House amendment contained provisions providing that the maximum original principal obligation of most mortgages which may be purchased by GNMA under section 305 of the National Housing Act would be increased to \$50,000 for a one-family residence; \$55,000 for a two- or three-family residence; \$62,500 for a four-family residence, and for a property with more than four dwelling units, \$38,000 per unit (\$45,000 in high-cost areas).

The Senate bill contained provisions providing that the maximum principal mortgage obligation able to be purchased by GNMA is increased to \$60,000 for a one-family residence; \$65,000 for a two- or three-family residence; \$75,000 for a four-family residence; and for a

property with more than four dewelling units, \$38,000 per dwelling unit (\$45,000 in high-cost areas). The Senate bill further provided that the aggregate amount of purchasing authority for purchase of mortgages by GNMA is increased by \$500 million, subject to approval in an appropriation act on October 1, 1978.

The conference report contains the Senate provisions with an amendment increasing the principal mortgage obligation able to be purchased by GNMA to \$55,000 for a one-family residence, \$60,000 for a two-to three-family residence, and \$68,750 for a four-family residence.

NATIONAL INSTITUTE OF BUILDING SCIENCES

The House amendment contained a provision providing authorizations for the National Institute of Building Sciences not appropriated for fiscal years 1977 and 1978 shall be available for appropriation through fiscal year 1979. The Senate bill contained a similar provision but provided that the amounts appropriated for fiscal year 1977 and fiscal year 1978 shall be available through fiscal year 1982. The conference report contains the Senate provision.

SECONDARY MORTGAGES ON INSURED PROPERTIES

The House amendment contained a provision amending title V of the National Housing Act by adding a new section: in carrying out title II of the Act with respect to insuring mortgages secured by a one-to-four family dwelling unit, the Secretary may not deny such insurance for any such mortgage solely because the dwelling unit will be subject to a secondary mortgage or loan, or other secondary lien, held by any State or local governmental agency under terms approved by the Secretary. The Senate amendment contained no provision. The conference report contains the House provision.

REGULATORY REVIEW PROCEDURE

Both the House and the Senate bills contained provisions related

to the review of agency regulations.

The House amendment contained a provision not included in the Senate bill which gave either House of Congress the power to veto any rule or regulation of the Department of Housing and Urban Development. The provision required that simultaneous with prescribing any rule or regulation (except rules governing the FHA interest rate) the Secretary should transmit a copy to the Senate and the House; the regulation would not become effective if within 90 calendar days of continuous session of Congress after the date that the rule is prescribed, either House of Congress adopted a resolution disapproving the specific matter of the rule or regulation; if, at the end of 60 calendar days of continuous session after the date that the rule is prescribed, no committee of either House has reported or been discharged from further consideration of a resolution disapproving the regulation, and neither House has adopted such a resolution, the rule or regulation would go into effect immediately; congressional inaction on, or rejection of, a resolution of disapproval would not be deemed an expression of approval of the regulation involved.

The Senate bill contained a provision directing the Secretary of HUD, not later than January 1, 1979, and not later than such date in each year thereafter, to publish in the Federal Register an agenda

of regulations expected to be considered in that fiscal year.

Prior to publication of a proposed regulation, the Secretary was required to conduct a thorough analysis of the regulation and its impact, including a cost-benefit analysis, an analysis of the extent the regulation duplicates or contradicts existing regulations and an assessment of any increased record keeping and reporting requirements caused by the new regulations. A summary of this analysis was to be

included when the proposed regulation was published.

The conference agreement contains a substitute amendment which combines and modifies both the Senate and House provisions. The amendment would require the Secretary of HUD, within 30 days of enactment and at least every 6 months thereafter, to submit to the Banking Committees of both Houses an agenda of rules or regulations which are under development or review by the Department. If within 30 calendar days of continuous session of Congress after the agenda has been transmitted either committee notifies the Secretary that it intends to review any rule or regulation, the Secretary shall submit to both committees a copy of any such rule or regulation at least 15 calendar days of continuous session prior to its being published for comment in the Federal Register. No rule or regulation may become effective within 20 calendar days of continuous session. After the date on which such rule or regulation is published as final, if within such 20 day period, either committee has reported out or has been discharged from further consideration of a resolution of disapproval or other legislation which is intended to modify or invalidate the rule or regulation or portion thereof, the rule or regulation shall not become effective for a period of 90 calendar days of continuous session from the date of the committee action unless the House to which such committee reports has rejected such resolution or legislation. In that case, the rule or regulation may go into effect any time after the expiration of the 20 calendar days in which the committee is required to act, provided that the other House does not have such a resolution or legislation pending or adopted.

The submission of the rule or regulation to the committees 15 days prior to its being published for comment in the Federal Register and the 20 days waiting period after the rule or regulation has been published as final may be waived upon written request of the Secretary, if agreed to by the Chairmen and Ranking Minority Members of

both committees.

Congressional inaction on any rule or regulation does not indicate congressional approval of such rule or regulation. Rules or regulations establishing FHA interest rates are exempt from the requirements of this section. For purposes of this section, continuity of a session of Congress is broken only by an adjournment of Congress sine die and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of calendar days of continuous session of Congress.

In adopting this provision, the conferees did not include the principle of a legislative veto of administrative actions. Instead the amend-

ment formalizes a procedure designed to assure a constructive consultative relationship between Congress and the executive branch.

The intent is to encourage cooperation and to develop a spirit of comity. The conferees expect that the formality of this procedure will not stand in the way of such cooperation but will increase it. The conferees also expect that the 90 day deferral provision will only be followed where either committee believes that the proposed regulations violate the intent of Congress. Since the 15 day consultative period is designed to provide an opportunity for misinterpretations to be resolved, the conferees expect that the 90 day deferral period will rarely be invoked.

Each committee will establish its own procedures regarding the method adopted for requesting submission of rules or regulations prior to publication for comment in the Federal Register. In addition, each committee will determine whether or not a resolution or other legislation considered by that committee is intended to modify or

invalidate a rule or regulation.

However, in order to prevent a rule or regulation from going into effect, either the House or the Senate Committee must report out of committee, within the initial 20 day period following the date on which such rule or regulation is published as final, a disapproving resolution or legislative modification. If subsequently one of the two Houses rejects a resolution or legislative provision designed to modify or invalidate a rule or regulation, that rule or regulation could go into effect on the date such action is taken or the effective date set forth in such final publication, if later, but not earlier than the required 20 day period, unless the committee of the other House has reported out a resolution or other legislation affecting the same rule or regulation within the same initial 20 day period. In the case of a rule or regulation being deferred by action of either committee, the period of deferral shall be continuous and does not begin again at the start of a new Congress.

Finally, the conferees want to clarify that when the Secretary determines a waiver from the review procedure for specified rules and regulations is necessary, the waiver becomes effective when the Committee Chairman and Ranking Minority Member of both Houses indicate

their concurrence with the Secretary's determination.

FHA MULTIFAMILY MORTGAGE LIMITS

Non-Elevator Section 221(d)(3)

The House amendment contained a provision increasing the mortgage limits for non-profit, non-elevator structures insured under section 221(d)(3) of the National Housing Act from: \$16,860 to \$18,450 per family unit without a bedroom; \$18,648 to \$20,625 per family unit with one bedroom; \$22,356 to \$24,630 per family unit with two bedrooms; \$28,152 to \$29,640 per family unit with three bedrooms; \$31,-884 to \$34,846 per family unit with four or more bedrooms.

The Senate bill increased these limits from: \$16,860 to \$22,601 per unit without a bedroom; \$18,648 to \$26,007 for a one bedroom; \$22,356 to \$31,768 for a two bedroom; \$28,152 to \$41,292 for a three bedroom;

\$31,884 to \$45,392 for four or more bedrooms.

The conference report contains the Senate provision with an amendment increasing these limits as follows: \$21,563 without bedroom;

\$24,662 for one bedroom; \$29,984 for two bedrooms; \$38,379 for three bedrooms; \$42,756 for four or more bedrooms.

Elevator Section 221(d)(3)

The House amendment contained a provision increasing the mortgage limits for projects of elevator-type structures from: \$19,680 to \$20,962 per family unit without a bedroom; \$22,356 to \$24,030 per family unit with one bedroom; \$26,496 to \$29,220 per family unit with two bedrooms; \$33,120 to \$37,800 per family unit with three bedrooms; \$38,400 to \$41,494 per family unit with four or more bedrooms.

The Senate bill contained a provision increasing the limits from: \$19,680 to \$23,268 per unit without a bedroom; \$22,356 to \$26,673 for a one bedroom unit; \$26,496 to \$32,434 for two bedrooms; \$33,120 to \$41,958 for three bedrooms; \$38,400 to \$46,058 for four or more

bedrooms.

The conference report contains the Senate provision with an amendment increasing these limits as follows: \$22,692 without bedrooms; \$26,012 for one bedroom; \$31,631 for two bedrooms; \$40,919 for three bedrooms; \$44,917 for four or more bedrooms.

Section 207 Rental Housing

The Senate bill contained a provision amending section 207(c)(3) of the National Housing Act to increase the mortgage limits attributable to dwelling use from: \$19,500 to \$21,900 per family unit without a bedroom; \$21,600 to \$24,600 per unit with one bedroom; \$25,800 to \$30,300 per unit with two bedrooms; \$31,800 to \$38,100 per unit with three bedrooms; \$36,000 to \$43,158 per unit with four or more bedrooms.

The House amendment contained no provision and none is contained in the conference report.

Section 213 Cooperative Housing

The Senate bill contained a provision amending section 231(b)(2) of the National Housing Act to increase the mortgage limits from: \$19,500 to \$21,900 per family unit without a bedroom; \$21,600 to \$24,600 per one bedroom unit; \$25,800 to \$30,300 per two bedroom unit; \$31,800 to \$38,100 per three bedroom unit; \$36,000 to \$43,158 per unit with four or more bedrooms.

The House amendment contains no provision and none is contained

in the conference report.

Section 220(d)(3) Rehabilitation and Neighborhood Conservation

The Senate bill contained a provision amending section 220(d)(3) (B)(iii) of the National Housing Act to increase mortgage limits from: \$19,500 to \$21,900 per unit without a bedroom; \$21,600 to \$24,600 per one bedroom unit; \$25,800 to \$30,300 per two bedroom unit; \$31,800 to \$38,100 per three bedroom unit; \$36,000 to \$43,158 per unit with four or more bedrooms.

The House amendment contains no provision and none is contained

in the conference report.

Section 221(d)(4) Profit Oriented Housing

The Senate bill contained a provision amending section 221(d)(4) of the National Housing Act to increase mortgage limits from: \$18,450 to \$20,362 per unit without a bedroom; \$20,625 to \$23,430 per one bedroom unit; \$24,630 to \$28,620 per two bedroom unit; 29,640 to \$37,200 per three bedroom unit; \$34,846 to \$40,894 per unit with four

or more bedrooms.

The House amendment contained no provision. The conference report contains the Senate provision with an amendment increasing the mortgage limits as follows: \$19,406 without a bedroom; \$22,028 for one bedroom; \$26,625 for two bedrooms; \$33,420 for three bedrooms; \$37,870 for four or more bedrooms.

Section 231(c)(2) Housing for Elderly

The Senate bill contained a provision amending section 231(c)(2) of the National Housing Act increasing mortgage limits from: \$18,450 to \$20,362 per family unit without a bedroom; \$20,625 to \$23,430 per one bedroom unit; \$24,630 to \$28,620 per two bedroom unit; \$29,640 to \$37,200 per three bedroom unit; \$34,846 to \$40,894 per unit with four or more bedrooms.

The House amendment contained no provision and none is contained

in the conference report.

Section 234(e)(3) Condominium Housing

The Senate bill contained a provision amending section 234(e)(3) of the National Housing Act increasing mortgage limits from: \$19,500 to \$21,900 per family unit without a bedroom; \$21,600 to \$24,600 per one bedroom unit; \$25,800 to \$30,300 per two bedroom unit; \$31,800 to \$38,600 per three bedroom unit; \$36,000 to \$43,158 per unit with four or more bedrooms.

The House amendment contained no provision and none is contained

in the conference report.

FHA INSURED MORTGAGE REFINANCING

The Senate bill contained a provision providing that the existing debt of an existing hospital may be refinanced under the section 223(f) of the National Housing Act if the Secretary has determined that it is economically viable, and has received certification under section 604(a)(1) or 1521 of the Public Health Service Act (which the Secretary deems comparable to certification required for hospitals insured under section 242 of the National Housing Act). The provision also specifies that the existing requirements under section 223(f) with respect to refinancing of property located in older declining areas are applicable only in the case of refinancing multifamily

The House amendment contained no provision. The conference report contains the Senate provision with an amendment specifying: that refinancing should only be employed to lower the debt service costs, taking into account any fees or charges connected with such refinancing of the existing hospital; that the proceeds of any refinancing will be employed only to repay the existing indebtedness; that the existing hospital is economically viable; and that such existing hospital has received certification from the appropriate State agency that the services being provided by the hospital at the time of refinancing

are appropriate as determined pursuant to section 1523(a)(6) of the Public Health Service Act.

housing projects.

The Conferees intend that States shall carefully review the appropriateness of health services provided by hospitals seeking refinancing under this program at the time of refinancing. However, such review does not necessarily require a review de novo if that State determines that the services have been recently assessed.

The Conferees note that there has been a record of extensive coordination between HUD and HEW's Bureau of Health Planning and Resources Development in administering Sections 241 and 242 of this Act. The conferees expect that the hospital refinancing permitted by the language added to Section 223(f) will be administered as consistently as possible with the procedures by which hospital loans or loan guarantees are administered under Titles VI and XVI of the Public Health Service Act. Such consistency should assist in the attainment of health planning and cost containment objectives.

TITLE IV-RURAL HOUSING

RURAL HOUSING AUTHORIZATIONS

The Senate bill contained a provision to increase FmHA authorizations by stipulating specific amounts for each program for each fiscal year. The House amendment provided for such increases by adding to the cumulative level of appropriations for such programs. The conference report contains the Senate provision.

Section 504 rehabilitation loans and grants

The Senate bill authorized an appropriation of \$48 million for fiscal year 1979 for the section 504 rehabilitation program. The House amendment authorized a cumulative appropriations level of \$150 million. The conference report contains the Senate provision.

Section 516 domestic farm labor housing

The Senate bill authorized an appropriation of \$38 million for fiscal year 1979 for section 516 domestic farm labor housing grants. The House amendment authorized a cumulative appropriations level of \$115 million. The conference report contains the Senate provision.

Section 506 research

The Senate bill authorized an appropriation of \$5 million for fiscal year 1979 for section 506 research. The House amendment authorized an appropriation of \$10 million. The conference report contains the House provision.

Section 525 counseling and technical assistance

The House amendment contained a provision that authorized for appropriation \$5 million for section 525 counseling and \$5 million for section 525 technical assistance. The Senate bill did not contain this provision. The conference report contains the House provision.

Section 523(g) self-help fund

The Senate bill authorized for appropriation an additional \$3 million for fiscal year 1979 for the section 523(g) self-help development fund for loans with interest rates of below three percent. The House amendment did not contain such a provision. The conference report contains the Senate provision.

Section 514 farm labor housing loans

The Senate bill authorized an appropriation of \$38 million for fiscal year 1979 for section 514 farm labor housing loans in any one fiscal year. The House amendment contained a similar provision but subjected the authorization to appropriation acts. The conference report contains the House provision.

RESEARCH

General authority

The House amendment contained a provision not in the Senate bill, directing the Secretary to conduct research, technical studies and demonstrations. The conference report contains the House provision with an amendment limiting the purpose of such research to activities aimed at stimulating construction and improving architectural design and ntility of dwellings and buildings. The conferees wish to make clear that the Secretary will address such factors as energy conservation in carrying out the research program authorized in this section.

Farm Worker Housing Study

The Senate bill contained a provision requiring a study of migrant farm worker housing. The House amendment contained a provision requiring a study of migrant and settled farm worker housing and also requiring the Secretary to determine possible roles that individual farm workers and farmers, farm workers and farmer associations, and public and private nonprofit agencies can perform. The conference report contains the House provision.

NOTICE REQUIREMENT

The Senate bill contained a provision requiring the Secretary to provide an applicant who is denied FmHA assistance written notice as to the reason for such denial and additionally required an appeals procedure for applicants whose assistance was denied, reduced or terminated which included the following: (1) a written notice of the right to appeal an adverse decision, (2) an opportunity to appeal to an impartial official having the authority to reverse the decision, (3) an opportunity to inspect records pertaining to the decision, and have the decision of the appeals officer in writing, with reason, and (4) have the appeals decision reviewed by the Secretary; upon successful appeal, the appellant is entitled to receive all benefits withheld as a result of the original adverse decision. The House amendment provided only that an applicant denied assistance must receive written notice as to the reasons for such denial. The conference report contains the Senate provision amended to require the Secretary to issue rules and regulations assuring applicants who are denied assistance or persons and organizations whose assistance is substantially reduced or terminated, written notice of the reasons for such denial reduction or termination and an opportunity to appeal and to present additional information in support of such appeal to a person other than the person who made the original decision and who has the authority to reverse the adverse decision.

The conferees expect that the Secretary will insure that such appeals procedure will include at least a written notice of the ability to appeal an adverse decision, an opportunity to appeal to a person who had no role in making the original determination and who has the authority to reverse the decision, an opportunity to inspect agency records relevant to the initial decision, to present additional relevant information and to receive the reviewing official's final decision with supporting reasons in writing. This procedure should apply to all persons or organizations, including tenants in FmHA financed dwelling units, whose assistance has been denied, substantially reduced or terminated.

NOTICE PRIOR TO FORECLOSURE

The Senate bill contained a provision not in the House amendment requiring the Secretary prior to initiating a foreclosure or transfer action to provide the borrower with adequate notice and give consideration to the availability of a moratorium on payments. The conference report does not contain this provision. The conferees are concerned about the high rate of delinquencies in FmHA housing programs. Therefore, the Secretary is directed to improve the servicing of its loans, provide counselling to borrowers and take other measures to cure delinquencies before they become so serious as to require foreclosure or transfer.

ELIGIBILITY FOR RURAL RENTAL ASSISTANCE

The House amendment contained a provision that was not contained in the Senate bill to expand the eligibility for section 521 rural rental assistance to allow assistance to congregate and cooperative housing projects and projects financed only by section 514 loans. The conference report contains the House provision with an amendment limiting rural rental subsidies on projects financed only by section 514 loans to public and private not-for-profit owners.

HOMEOWNER SUBSIDIES

Insured loans

The Senate bill contained a provision establishing a new deep subsidy program for very low income homeowners who cannot afford FmHA one percent interest credit assistance. The House amendment contained a similar provision but required the Secretary to provide such assistance only in areas found to be unsuitable for rental housing assistance. The conference report contains the House provision.

The conferees are concerned that homeowners subsidies meet the special housing assistance needs in rural areas where there is little or no prospect of very low income families in substandard housing being served by existing FmHA and HUD rental housing assistance programs. These are generally remote rural areas having widely dispersed populations of less than 2500 persons. The conferees wish to emphasize their intent that the purpose of the homeowner subsidies is primarily to meet the housing assistance needs of these families in these particular areas.

Accordingly, the conferees in adopting the House provision wish to make clear that in determining that an area is unsuitable for assisted

rental housing the Secretary should base his findings on actual and current conditions in the area rather than on arbitrary, national criteria. The conferees expect that the Secretary shall make a determination as to whether or not assisted rental housing is feasible to build and manage in the area taking into consideration the density of the population, the adequacy of public facilities, the availability of public services and similar factors. Additionally, the conferees expect the Secretary to take into consideration the availability of public and private sponsors of assisted rental housing. While the conferees do not wish to arbitrarily restrict homeowner subsidies from being used where such entities are found by the Secretary to be available but unwilling to provide the needed assisted rental housing, they do expect that prior to using home ownership subsidies, the FmHA will show that it has made reasonable efforts toward developing an effective assisted rental housing delivery system in such areas. The conferees are concerned that rural homeowner subsidies not be used simply as a substitute for existing assisted rental housing programs.

Recapture of Subsidy

The Senate bill contained a provision authorizing the Secretary to recapture the section 502 housing subsidies and to provide borrowers incentives and relocation allowances. The House amendment contained a similar provision, except it required recapture and did not authorize relocation allowances. The conference report contains the House provision.

The conferees do not intend that the recapture of assistance provisions for section 502 housing be retroactive. The Secretary, therefore, is directed to apply such recapture provisions only to loans made

after the enactment of this Act.

The conferees also wish to make clear that the Secretary is expected to insure that recapture is possible when the property is refinanced or transferred. Accordingly, the Secretary is directed to use liens or other similar means for assuring such recapture. However, the conferees intend that recapture extend only to the value of the property and therefore the Secretary should not extend recapture to any other

assets held by the borrower.

The conferees intend that the Secretary will always insure that there is an incentive to the borrower to maintain the property. Therefore in determining the extent of recapture, the Secretary is directed to permit the borrower to keep at least an amount determined to be an adequate incentive for maintaining the property in those instances where it has been demonstrated to the satisfaction of the Secretary that the borrower has adequately maintained the property. Accordingly, the conferees expect that there will be periodic inspections of the property and that borrowers will be notified of any deficiencies in satisfying their maintenance obligations.

Availability of Assistance

The Senate bill contained a provision that would have made homeowner subsidy assistance available only when the housing needs of the applicant could not be met from other sources, including the section 235 and 236 programs. The House amendment contained a similar provision, except that it specified "other sources" as including the

National Housing Act and the U.S. Housing Act of 1937. The conference report contains the House provision.

Additional Requirements

The House amendment contained a provision not included in the Senate bill limiting to \$440 million the aggregate principal amount of deep homeowner subsidy loans. The conference report contains the House provision.

WAIVER OF CREDIT REQUIREMENTS

The Senate bill contained a provision that would authorize the Secretary to waive the credit elsewhere requirement for farm labor housing loans and in such cases permitting the interest rate on such loans to be greater than one percent but no greater than the Treasury's cost of borrowing. The House bill did not contain this provision. The conference report contains the Senate provision with an amendment limiting the Secretary's authority to waive the credit elsewhere requirement to migrant farm worker housing in areas where no public or private nonprofit sponsor is available and the loan is necessary to provide such housing. It would also establish as the interest rate for such loans the Treasury borrowing rate and would require that the benefits accruing from such loans go to the tenants. The conferees are concerned that the principal underlying FmHA as a lender of last resort be upheld. They are aware, however, that in some instances much-needed housing for farm laborers would not be provided if the Secretary were not permitted to waive the credit elsewhere and below market interest rate restrictions in FmHA programs. These instances have been brought to the attention of the conferees and are the result of situations where, because of the seasonal nature of farm work, a stream of rents is not sufficiently available to satisfy private lenders. Consequently, working farm owners are required to pledge farm assets as security for farm labor housing loans if they wish to provide the much-needed housing. The conferees consider this to result in an undue burden on these particular farm owners whose income is derived primarily from operating farms. Accordingly, the conferees expect that the Secretary will waive the credit elsewhere and interest rate provisions where he finds these conditions to obtain. In doing so, however, the conferees are concerned that the Secretary insure that the full benefits of the below market rate be passed on to the tenants taking into consideration their wage and fringe benefit levels and not accrue to the owners. Furthermore, the conferees expect that in administering this program, the instances wherein the waiver is provided by the Secretary will be largely the exception rather than the rule, in recognition of the fact that in many areas of the nation the demand for these limited funds is comprised of many public and not-forprofit sponsors ready and available to provide these housing accommodations.

SPONSOR PRIORITIES

The Senate bill contained a provision, not included in the House amendment, to require that the Secretary not give funding priority under section 516(e) to any one of the groups authorized to sponsor domestic farm labor housing. The conference report contains the Senate provision.

DEFINITION OF RURAL AREAS

The Senate bill contained a provision not contained in the House amendment which provided that, as of January 1, 1978, communities with populations between 10,000 and 20,000 no longer needed to be ontside a SMSA for their residents to be eligible for FmHA assistance. The conference report does not contain the Senate provision. The conferees wish to make clear, however, that Farmers Home Administration is expected to interpret section 520 of the Housing Act of 1949 in a manner that would benefit residents of local communities and not administratively restrict their access to FmHA assistance. Accordingly, in defining the terms "rural" and "rural areas," the Farmers Home Administration is instructed to use the latest official United States Census data, except where the community presents more recent and reliable population counts.

Study of Remote Title Claims

The Senate bill contained a provision that required the Secretary to conduct a study of remote title claims which prevent rural persons from the full use of their property and required that a report be submitted by March 1, 1979. The House amendment was similar, except the report was not due until one year after enactment of this Act. The conference report contains the House provision with an amendment requiring submission of an interim report on March 1, 1979, and a full report one year after enactment of this Act.

TITLE V-CONGREGATE SERVICES

FINDINGS

The Senate bill set forth congressional findings that: 1) innovative and comprehensive means are required to enable frail and handicapped individuals to remain in their homes; 2) congregate housing supplemented by supportive services is a proven, cost-effective means for preventing the unnecessary institutionalization of the elderly and these services can similarly assist handicapped persons; 3) in spite of existing statutes which encourage the Secretary of Housing and Urban Development to develop congregate housing for low-income persons, insufficient congregate housing has been built; 4) since the coordinated delivery of social services necessary for a successful congregate housing program has not occurred, increasing numbers of elderly public housing residents and younger handicapped persons may thus be unnecessarily and prematurely institutionalized; 5) to be a successful program and to meet the needs of the growing number of frail older Americans living in public housing projects, congregate housing and supportive services must be available as a coordinated package which receives secure and continuous funding.

The House amendment established Congressional findings that: congregate housing, together with supportive services, is a proven and cost-effective means of enabling temporarily desabled elderly or handicapped individuals of all ages to maintain their dignity and independence and to avoid unnecessary institutionalization; deficiencies

presently exist in the availability, adequacy, coordination or delivery of supportive services so that large numbers of public housing residents face premature and unnecessary institutionalization; and supplemental supportive services available on a continuing basis are essential

to a viable congregate housing program.

The conference report includes the House provision amended to emphasize in addition that: the coordination of congregate housing with the delivery of supportive services is an innovative as well as a proven and cost-effective means of avoiding the costly and unnecessary institutionalization of handicapped or temporarily disabled adults; many residents of housing projects for elderly and handicapped adults built by nonprofit sponsors, as well as many residents of public housing projects, face premature and unnecessary institutionalization because of the absence of supportive services; and in order to create a successful congregate housing program, supplemental supportive services must be available on a secure and continuing basis.

DEFINITIONS

Congregate Housing

For purposes of this program and as an amendment to section 7 of the United States Housing Act of 1937, the Senate bill defined congregate housing as low rent housing constructed after, but not under construction prior to, January 1, 1979, connected with which there is a central dining facility to provide wholesome and economical meals for its occupants. The House amendment was similar but added a requirement that some or all of the dwelling units were not to have kitchen facilities. The conference agreement contains the Senate provision amended so that congregate housing built after January 1, 1979, may contain dwelling units that do not have kitchens. The conferees believe that public housing authorities and private nonprofit sponsors should have flexibility to determine whether or not congregate housing projects to be built after January 1, 1979, should contain dwelling units without individual kitchens. Such flexibility would allow congregate housing sponsors to design projects that adequately respond to unique local needs. However, to promote independence, socialization and psychological health among the congregate housing residents, the conferees strongly encourage, wherever appropriate, the inclusion of at least a kitchenette or half-kitchen in each individual dwelling unit.

Eligible Project Residents

The Senate bill defined eligible project residents as handicapped elderly individuals, nonelderly handicapped individuals or temporarily disabled households who are residents of congregate housing projects of public housing agencies or nonprofit corporations. The House definition was similar except that temporarily disabled individuals were eligible only if they were elderly. The conference agreement contains the Senate provision amended to refer to temporarily disabled individuals, not households.

Handicapped

The Senate bill and the House amendment defined the term "handicapped" to mean an impairment which: is expected to be long-term, substantially impedes an individual's ability to live independently, and is such that his ability to live independently could be improved by more suitable housing conditions. The impairment could include a functional disability or frailty which is a normal consequence of the aging process. In addition, the Senate bill, unlike the House amendment, stated that an impairment may include a developmental disability as defined in section 102(7) of the Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963. The conference agreement contains the House provision amended to clarify that the impairment is such that it substantially impedes an individual's ability to live independently unless the individual receives supportive congregate services. The conferees intend that an impairment include a developmental disability such as cerebral palsy, autism, epilepsy and mental retardation.

Professional Assessment Committee

The Senate bill and the House amendment defined "professional assessment committee" as a group of at least three persons including medical professionals and other persons professionally competent to appraise the functional abilities of elderly or permanently disabled adults in relation to the performance of the tasks of daily living. In addition, the Senate provision specified five activities of daily living that the professional assessment committee should evaluate to determine whether the project residents need assistance. The conference agreement contains the House provision. The conferees expect that the assessment committee, in determining who should receive the supportive services available under this program, should evaluate potential eligible residents on the basis of their ability to perform one or more daily living activities such as eating, bathing, grooming, dressing, toileting and ambulating.

Temporarily Disabled

The Senate bill and the House amendment defined "temporarily disabled" to mean an impairment which: is expected to last no more than six months; substantially impairs an individual's ability to live independently, and is such that the ability to live independently may be improved by more suitable housing conditions. In addition, the Senate provision required that the impairment must be such that it may result in displacement from a congregate housing project. The conference agreement contains the House provision amended to clarify that the impairment must substantially impede an individual's ability to live independently unless the individual receives supportive services.

Household

The Senate provision contained a definition not found in the House amendment. "Household" meant one or more persons residing in a public housing project or a project assisted under section 202 of the Housing Act of 1959. The conference agreement does not contain this provision.

AUTHORIZATION TO ENTER INTO CONTRACTS

The Senate bill contained a provision not included in the House amendment which specified that each public housing agency or nonprofit corporation entering into a contract with HUD for the provision of supportive services should be reserved a sum—equal to its total approved contract authority from the monies authorized and appropriated for the fiscal year in which the agency or corporation is notified of funding approval. The conference agreement contains this provision amended to refer to contract amount instead of contract authority.

CONGREGATE SERVICES PROGRAM

Both the Senate bill and the House amendment required that when nonelderly handicapped individuals are included as eligible project residents the applicant sponsors should consult with appropriate local agencies having responsibility for the development, provision or identification of social services to permanently disabled adults in order to determine the means of providing services under this program. In addition, the House amendment required consultation regarding the identification of alternative sources of funding that are available for such services. The conference report contains the House provision.

MAINTENANCE OF EFFORT

The Senate bill contained a provision requiring sponsors receiving assistance under this program to maintain the same level of services and annual financial contribution that they were making for supportive services, prior to the initial date on which the sponsor was notified that funding was approved. The House amendment required the sponsor to maintain the same level of services and financial support as of the date the application for assistance was submitted. The conference report contains the House provision.

ELIGIBILITY FOR SERVICES

Meal Service

The Senate bill provided that elderly and permanently disabled residents of the congregate facility who are not otherwise eligible for the supportive services provided by this program could participate in the meal service program if the sponsor determined their participation would not adversely affect the cost effectiveness or operation of the meal service program. The House amendment permitted all residents of the congregate facility to participate in the meal service if the same determination was made. The conference report contains the House provision. These residents will be expected to pay reasonable fees which do not exceed the cost of providing the meal service.

Eligibility Determination Procedures

The Senate bill contained a provision requiring that the process developed for determining eligibility for the services should accord the individual applicants fair treatment, due process and a right to appeal the eligibility determination. In addition, the confidentiality of personal and medical records should be assured. The House amendment directed the professional assessment committee to follow a selection procedure which accorded individuals fair treatment and due process. The conference agreement contains the House provision amended to require, in addition, that the professional assessment committee follow procedures for reviewing eligibility determinations and for assuring the confidentiality of personal and medical records.

CONTINUITY OF PROFESSIONAL ASSESSMENT COMMITTEE

The Senate bill also contained a provision not found in the House amendment which required that the public housing agency or non-profit corporation sponsoring the congregate services program notify the HUD Secretary of any changes in the membership of the professional assessment committee within 30 days of such change. Any changes in the committee should be consistent with the procedures established for appointing the original members of the committee. The conference agreement contains the Senate provision.

APPLICATION PROCEDURES

Both the Senate and House provisions required that the applicant sponsor submit a service plan which was developed after consultation with eligible project residents and with the professional assessment committee. In addition, the Senate bill required that where these services were to be provided in a new, unoccupied project such consultation should be carried on as part of the occupancy interview process. The conference report does not contain this provision. The conferees expect that the provisions requiring the sponsor to develop service plans after consulting with the Area Agency on Aging and with the appropriate local agency responsible for developing or identifying social services for permanently disabled adults will be adequate for purposes of applying for funds for a new, unoccupied project. However, the conferees expect that the sponsors will be continually sensitive to the needs of project residents and particularly in the case of new, unoccupied projects, plans may be revised in order to meet needs not identified until after the residents occupy the facility. The reserve fund established by the Secretary may be used to meet these unforeseen changes in service needs.

The Senate bill contained a provision not included in the House amendment requiring that any application for funding include any comments regarding the service plan received from the Area Agency on Aging and from the appropriate local agency responsible for developing or identifying social services for permanently disabled

adults. The conference report includes this provision.

EMPLOYMENT OF PROJECT RESIDENTS

The Senate bill contained a provision not included in the House amendment which limited the number of hours a week an elderly or permanently disabled adult who was not eligible to receive the supportive services himself but who lived in the public housing or 202 project assisted under this title, could be employed to provide the services authorized by this program. The conference report does not contain this provision. The conferees, however, encourage sponsors to employ elderly or permanently disabled residents on a part-time basis where possible and practical to do so.

Authorization of Appropriations

The Senate bill authorized appropriations of not to exceed \$20 million for fiscal 1979, \$25 million for fiscal 1980, \$35 million for fiscal 1981, \$40 million for fiscal 1982 and \$45 million for fiscal 1983.

The Senate bill also directed the Secretary of HUD to establish specific procedures for the recapture of unused contract authority, the utilization of unused reserve funds and the reallocation of unexpended funds. The House amendment authorized the same level of appropriations for fiscal years 1979, 1980 and 1981, and directed that any appropriated sums remain available until expended. The conference report includes an authorization of \$40 million for fiscal 1982 and retains the House language regarding appropriated funds

remaining available until expended.

The conferees believe the report the Secretary of HUD is to produce annually will be very useful and will assist Congress in determining whether the program should be expanded. The report should include an analysis of the number of people served, the types of services provided, the cost per person, the extent of the coordination achieved between HEW and HUD, and the extent to which this program avoids or creates a duplication of existing programs. Since this is a new program designed to remedy the specific problem that occurred when HEW funds for supportive services could not be effectively coordinated with congregate facilities financed through HUD, the conferees are particularly interested in whether the unique features of this program have been successful in preventing the premature institutionalization of elderly and handicapped persons or whether it merely duplicates services available through existing HEW programs.

TITLE VI-NEIGHBORHOOD REINVESTMENT CORPORATION ACT

POWERS AND DUTIES

Both the Senate bill and the House amendment created the Neighborhood Reinvestment Corporation. The Senate bill authorized the Corporation, among other duties and powers, to continue the work of the Urban Reinvestment Task Force in sponsoring neighborhood housing services programs and to sponsor and replicate other experimental neighborhood preservation projects. The Corporation was also directed to continue development of Neighborhood Housing

Services of America, as a secondary market operation.

The House amendment was similar to the Senate provision except it referred to the Neighborhood Housing Services of America as a demonstration program and the Corporation was given discretionary, instead of mandatory, authority to provide assistance in the form of grants and technical assistance to the loan purchase pool. The conference report contains the Senate provision amended to make discretionary the Corporation's authority to provide such assistance. The conferees are particularly interested in following the development of this new loan purchase pool mechanism closely and expect the Corporation, in its annual reports to Congress, to address in detail the activities of the Neighborhood Housing Services of America. This analysis will be particularly useful to Congress in determining whether a loan purchase pool of this type should be operated by established federally related secondary market institutions.

BOARD OF DIRECTORS

Election of Chairman

The Senate bill provided that the Chairman of the Corporation should be the Chairman of the Federal Home Loan Bank Board. The House amendment directed the Board of the Corporation to elect from among its members a Chairman who would serve for two years; however, the Chairman of the Federal Home Loan Bank Board would serve as the Chairman for the first two-year term. The conference report contains the House provision.

Board Meetings

The Senate bill directed that all meetings of the Board be open unless closed by majority vote of the Board. The House amendment required that all meetings of the Board be conducted in accordance with the Government in the Sunshine Act. The conference report contains the House provision.

FINANCIAL CONTROL

The Senate bill provided that the Corporation would not be considered a department agency or instrumentality of the Federal Government. The House amendment amended the Government Corporation Control Act so that the Corporation would be considered a wholly owned government corporation. The conference report contains the Senate provision amended to require that the General Accounting Office audit the Corporation at least once every three years. In addition, the Corporation will be subject to administrative and cost

standards issued by the Office of Management and Budget.

The conferees expect that the Corporation will be made subject to those circulars issued by the Office of Management and Budget which establish reasonable and appropriate standards for administrative and cost accounting procedures related to property disposition, procurement, competitive bidding, travel, transportation, consultant costs, reporting and maintenance of records. The conferees are aware that some of the standards defined or delineated in those circulars would not be appropriate to the operation of the Corporation, given its unique status. For instance, since the Corporation is receiving a direct appropriation instead of a grant from a federal agency, some reporting requirements will necessarily differ from those included in the OMB circulars. However, the conferees believe that the circulars establish reasonable standards of financial management and administrative accountability that should be followed in the operations of the Corporation. In looking to OMB to ensure that these standards are imposed, the conferees expect that OMB shall recognize the flexible and nonbureaucratic manner in which the Urban Reinvestment Task Force, predecessor to the Corporation, has operated in the past, that such flexibility has been integral to the success of its efforts and that its continued success requires a sensitivity to the necessity for reasonable controls that do not burden the Corporation with unnecessary requirements.

AUTHORIZATION

The Senate bill authorized appropriations of not to exceed \$15 million for fiscal year 1979, \$20 million for fiscal 1980 and \$30 million

for fiscal 1981. The House amendment authorized \$8.5 million for fiscal year 1979. The conference agreement contains the Senate provision amended to a single year authorization of \$12.5 million for fiscal year 1979.

TITLE VII-MISCELLANEOUS

HOMEOWNERS LOAN ACT AMENDMENT

The Senate bill included a provision not in the House amendment which would amend the Homeowners Loan Act of 1933 so that Federal savings and loan associations would be authorized to invest up to five percent of their assets in real property located in areas in which physical improvement activities assisted under the Community Development Block Grant Program are being carried out in a concentrated manner. The conference report does not contain this provision.

DISPLACEMENT STUDY

The Senate bill contained a provision not found in the House amendment in which the Congress declares that the Federal Government, in administering its housing and CD programs, should take the utmost care to minimize the displacement of persons from their homes and neighborhoods. The provision also provides that the Secretary shall conduct a study on the nature and extent of the displacement problem, and report to Congress by January 31, 1979, with recommendations for the formulation of a national policy to minimize displacement due to other public or private development. In conducting the study the Secretary is required: (1) consult with affected public, governmental and industry groups; (2) provide data on nature and scope of problem (past and projected) and identify steps to improve data availability; and (3) report fully on current legal and regulatory powers and policies of HUD with respect to displacement. The conference report contains the Senate provision amended so that the Congressional declaration is that the Federal Government in the administration of its housing and CD programs and consistent with other program goals and objectives should minimize involuntary displacement of people from their homes and neighborhoods.

The conferees believe that the study required by this provision is of great importance. The conferees recognize that there are no easy answers on how to balance a strong desire to minimize involuntary displacement with the other important goals and objectives of the Department's housing and community development programs. The conferees expect the Secretary to carefully examine this question as it relates to each of her programs and include her findings in the study. Additionally, the conferees wish to make clear that the Congressional declaration contained in this provision does not confer any additional authority on the Secretary over what she now has under existing

In addition, the conferees understand that that the Department has narrowly interpreted the Uniform Relocation Act to exclude displacement caused by certain public or private actions which have been undertaken with the use of Federal funds. The validity of this interpretation is currently before the courts. Both the Senate bill and the House amendment contained a provision which would enable localities

Federal law.

to use Community Development Block Grant funds to provide relocation payments and other assistance to persons who are displaced by private or public activities, when such payments or assistance are appropriate to the locality's community development plan. The conferees wish to make clear that the enactment of that provision shall not be read as an endorsement of any interpretation of the URA; rather, the adopted provision is intended to permit CDBG funds to be used for relocation payments, whether or not the displacement is covered by the URA.

REHABILITATION GUIDELINES

The Senate bill contained a provision that was not contained in the House amendment directing the Secretary to develop rehabilitation guidelines in consultation with NIBS and other appropriate parties for voluntary adoption by States and localities, and to provide technical assistance for their implementation; also, the Secretary was to publish the guidelines within a year and promulgate them within 18 months of enactment; the Secretary was also required to report to Congress on the utilization of the guidelines with recommendations for further action. The conference report contains the Senate provision with an amendment which allows rather than requires the Secretary to offer technical assistance.

The conferees in accepting the Senate amendment are aware that considerable efforts to establish a workable set of rehabilitation guidelines are underway in a number of States and by organizations including private model code organizations. The conferees believe that these State and private organizations should be consulted with and involved in all aspects of the process of developing such guidelines. The conferees are aware that such involvement and consultation will not only reflect different regional conditions and prevent duplication of work already accomplished but it will greatly aid in the ultimate implementation of such guidelines at the State and local level.

DEPARTMENTAL REORGANIZATION

The Senate bill contained a provision not included in the House amendment which provided that no funds available to HUD during fiscal years 1978 or 1979 may be expended for the reorganization or transfer of any function of an area, field, or insuring office which relates to multifamily housing, community planning and development, or related technical services. The conference report does not contain the Senate provision.

ALASKA HOUSING PROGRAM

The Senate bill contained a provision not found in the House amendment would amend section 1004(a) of the Demonstration Cities Act to:

(1) Direct the Secretary to make loans and grants on the basis of need to Alaska regional native housing authorities for the purpose of providing planning assistance, housing rehab, and maintaining an adequate administrative structure for housing facilities for Alaska residents;

(2) Delete requirements for an approved statewide housing

program; and

(3) Repeal the provision limiting grants to 75 percent of the cost of the housing constructed under the program.

The conference report contains the Senate provision amended so that rather than directing the Secretary to make loans and grants she is authorized to make such loans and grants, and rather than repealing the 75 percent limitation on grants the Secretary is permitted to waive the limitation on a case-by-case basis after consulting with the pertinent state officials.

INTERSTATE LAND SALES

The Senate bill contained a provision amending the Interstate Land Sales Full Disclosure Act which was not included in the House amendment. The Senate bill provided an exemption for the sale or lease of any improved land on which there is a condominium or on which a condominium is to be built within 2 years and excluded U.S. land patents and similar Federal grants or reservations from the Act's definition of "liens, encumbrances, and adverse claims."

The bill also exempted real estate which is restricted for commercial or industrial purposes by a declaration of covenants, conditions, and restrictions which have been recorded in the official records of the

county where this real estate is located.

The bill created 3 new exemptions from the registration and disclosure requirements of the Act (but not from the fraud provisions). The first exemption was for sales operations which are intrastate or almost intrastate in nature. Under this exemption, a sales operation would be considered to be intrastate or almost intrastate in nature if not more than 5 percent of the lots sold or five lots sold, whichever is greater, in a calendar year were sold to residents of another State. Sales under this exemption must meet the following conditions: (a) The lot must be free and clear of all liens, encumbrances, and adverse claims; (b) the purchaser and/or spouse must make a personal on-site inspection of the lot; and (c) the developer must supply the purchaser with a written instrument designating a person within the purchaser's State of residence as the developer's agent of process.

For the purpose of this exemption, the terms "liens," "encumbrances," and "adverse claims" would not refer to U.S. land patents, property reservations, commonly conveyed or dedicated to local bodies or public utilities, taxes and assessments imposed by a State or public body having authority to assess and tax property or to beneficial property restrictions, provided: (a) The developer, prior to entering into a contract, provides the purchaser with a descriptive and concise statement setting forth all such reservations, taxes, and assessments which apply to the lot being purchased or leased; and (b) receipt of this statement has been acknowledged in writing by the purchaser or

lessee.

The second exemption was for the sale or lease of real estate by a developer to a resident of another State when the principal residence of the purchaser is within a radius of 100 miles from the property purchased. To qualify for this exemption the following conditions must be met: (a) The lot must be free and clear of all liens, encumbrances, and adverse claims; (b) the purchaser and/or spouse must make an on-site inspection of the lot; (c) the developer must supply the pur-

chaser with a written instrument designating a person within the purchaser's State of residence as the developer's agent of process; and (d) the developer must execute a written affirmation to the effect that these three requirements have been complied with on a form promulgated by the Secretary setting forth the name and address of the developer, legal description of the subdivision, the affirmation and the developer's legal signature. In addition, this section would require that (a) the developer, prior to entering into a contract, provide the purchaser with a descriptive and concise statement setting forth any reservations, taxes and assessments which apply to the lot being purchased or leased; and (b) receipt of this statement must be acknowledged in writing by the purchaser or lessee.

Sales under the 100 mile exemption would not be subject to the 5 percent limitation contained under the first exemption. But the number of sales made under the 100 mile exemption would be added to the sales made under the first exemption to arrive at the total number of sales made in one year by a developer for purposes of the 5 percent

out-of-State sales limitation contained in the first exemption.

The third exemption was for the sale or lease of real estate located within a municipality or county whose governing body specifies minimum standards for the development of subdivision lots taking place within its boundaries, when seven conditions are met: (1) the subdivision meets all local codes and standards and is either zoned for single family residences or, in the absence of a zoning ordinance, is limited exclusively to single family residences; (2) the real estate is situated on a paved, public street or highway built to a standard acceptable to the municipality or county, or a bond or other surety acceptable to the municipality or county in the full amount of the cost of the improvements has been posted to assure completion to such standards, and that authority has accepted or has agreed to accept the responsibility of maintaining the street; (3) at the time of closing, potable water, sanitary sewage disposal and electricity have been extended to the real estate, or the municipality or county has agreed to install such facilities within 180 days. For subdivisions which do not have a central water or sewage disposal system, rather than installation of water or sewer facilities, there must be assurances that an adequate potable water supply is available year-round or that the land is approved for the installation of septic tanks; (4) the contract of sale requires delivery of a warranty deed to the purchaser within 180 days of the signing of the sales contract; (5) a policy of title insurance or title opinion is issued in connection with the transaction showing that at the time of closing, title to the real estate purchased or leased is vested in the seller or lessor (but lease recordation is required); (6) each purchaser or his or her spouse has made a personal on the lot inspection of the real estate which he purchased or leased, prior to the signing of a contract to purchase or lease; (7) there are no direct mail or telephone solicitations or offers of gifts, trips, dinners, or other such promotional techniques to induce prospective purchasers or lessees to visit the subdivision or to purchase or lease a lot.

The Senate bill also amended the statute of limitations for the Act so that no action could be brought by a purchaser more than three years after signing a contract or lease, not withstanding delivery of a deed to a purchaser on the sale or assignment to attend part of the

purchasers contract or agreement.

Finally, the bill added new requirements directing the Secretary to conduct rulemaking and adjudication in accordance with the Administrative Procedures Act and to require the Secretary to provide a written notice of reasons in any action taken against an individual.

The conference report contains four of the Senate provisions, those dealing with: condominiums, real estate restricted for commercial or industrial use, U.S. land patents and fully improved single family homesites. The fully improved single family homesite exemption was accepted with minor clarifying amendments. This exemption applies only to the sale of lots located within counties and municipalities which have established minimum standards for the development of subdivision lots.

The conferees agree that this exemption is justified in such regulated jurisdictions because an important part of the protection which the Congress wishes to assure to purchasers already exists. Before a builder can sell even a single lot in a regulated jurisdiction, he often must gain approval from a number of local and state governmental agencies, including planning, zoning and environmental review boards; public works, public health and engineering departments; local utility districts and city councils or boards of supervisors. Usually lot sizes must meet certain minimums; soil compaction and/or percolation requirements must be met; the land cannot lie in an environmentally sensitive area or too close to an airport flight pattern; and plans must show access for fire equipment. It is expected that the exemption for the improved single family homesite will apply only in those jurisdictions that specify minimum standards for the develop-

ment of subdivision lots. In addition, the conferees recognize that a comprehensive reform of the Interstate Land Sales Full Disclosure Act needs to be accomplished in order to deal with specific problems faced by small land developers and land purchasers that have been brought to the attention of the conferees but which were not adequately addressed in the amendments rejected bythe conference committee. The conferees have been hampered in their deliberations by a lack of adequate data derived from the experience of the Office of Interstate Land Sales in the administration of the act. The conferees therefore direct the Secretary of HUD to report to Congress by March 1, 1979, regarding the experience of OILSR in: (1) administering the on-site inspection statutory exemption; (2) administering the 300 lot limited offering regulatory exemption; and (3) reaching administrative settlements regarding various kinds of fraudulent practices. The conferees are particularly interested in an analysis of the problems that have occurred in these three categories as they relate to land developments that are sold only (or primarily) to intrastate customers and as they relate to developments of various sizes ranging from 50 to 400 lots. This information will be crucial to assist the respective House and Senate committees as they consider legislative reform of the act next year.

TREATMENT OF SOCIAL SECURITY BENEFIT INCREASES

The House amendment provided that social security benefit increases occurring after May 1978, shall not be considered as income for the purposes of determining the eligibility for or amount of assistance available to individuals or families under the U.S. Housing Act of

1937, the National Housing Act, the HUD Act of 1965, or the Housing Act of 1949. The term "social security benefit increases" after May 1976, was defined as any part of a monthly benefit payment under the insurance program established under title II of the Social Security Act which results from a cost-of-living increase in benefits becoming effective after May 1978, which constitutes a general benefit increase within the meaning of section 215(i)(3) of such act. These provisions were not contained in the Senate bill and the conference report does does not contain these provisions.

HOUSING PROGRAM PAPERWORK REDUCTION

Findings and Program:

The Senate bill contained findings that the various Federal agencies responsible for housing and housing finance programs require and use a variety of different forms as residential mortgages, as notes secured by these mortgages, and for applications, appraisals and other purposes, and such duplication of forms constitute a paperwork burden that adds to the costs of homeowners and buyers; that unnecessary paperwork impairs the effectiveness of Federal housing programs; that simplification of paperwork in the housing programs would contribute to achieving the Nation's housing goals by reducing costs; that the responsible Federal agencies have made inadequate attempts to reduce unnecessary paperwork and the resultant costs; and that the Commission on Federal Paperwork has recommended that the agencies reduce the paperwork involved in their housing programs.

The House amendment contained similar findings, but did not include findings that responsible Federal agencies have made inadequate attempts to reduce unnecessary paperwork and resultant costs or reference to the recommendations of the Paperwork Commission.

The conference report contains the House provision.

Task Force

The Senate bill provided that the President shall establish an Interagency Task Force on reduction of paperwork in housing programs chaired by the Director of OMB which shall submit to Congress a plan and timetable for implementing the recommendations of the Paperwork Commission. The House amendment had no such provision and the provision is not contained in the conference report.

OMB Coordination

The Senate bill required that the Director of OMB coordinate and monitor the implementation of the efforts required of HUD and the VA to make uniform their forms, report to the Congress on such implementation and shall coordinate and monitor the plan and timetable for implementing the Paperwork Commission's recommendations. The House amendment was similar, but did not contain the requirement that the Director of OMB coordinate and monitor the implementation of the Paperwork Commission's recommendations. The conference report contains the House provision, however, the conferees believe that the Director should carefully monitor the implementation of these recommendations and take steps to assure that prompt action is taken on them.

Staffing by OMB

The Senate bill contained a provision relating to the Task Force, not included in the House amendment, which required the Director of OMB to assign or secure the staff necessary for the Task Force to complete its duties. The conference report does not include this provision.

Consultation by the Task Force

The Senate bill contained an additional provision relating to the Task Force, not contained in the House amendment, which required the Task Force to consult with the private sector, public interest groups and the general public that will be affected by this section of the bill. The conference report does not include this provision.

NEW COMMUNITIES

The Senate bill contained a provision that was not contained in the House amendment to change the term "New Community Assistance Projects" as used under Title IV of the Housing and Urban Development Act of 1968 to have the same meaning as "New Community Assistance Projects" in Title VII of the Housing and Urban Development Act of 1970. The conference report does not contain this provision. The conferees learned that Jonathan, a Title IV new community assistance project embracing the City of Chaska, Minnesota, is the only federally-assisted new community that is not eligible for all Title VII grant assistance. The conferees also learned that Jonathan, as with many federally-assisted new community projects, is in severe financial difficulty and is being acquired by the Secretary. Foreclosure proceedings have been initiated by the Secretary and are pending action by the U.S. District Courts. Therefore, the conferees consider that any such action affecting this project would be inappropriate at this time.

COST-BENEFIT ANALYSIS OF HUD REORGANIZATION

The Senate bill contained a provision which was not included in the House amendment providing that a plan for the reorganization of any regional, area, insuring, or other field office of the Department of HUD may take effect only upon the expiration of 90 days after publication in the Federal Register of a cost-benefit analysis of the effect of the plan on each office involved. The analysis would include: (1) an estimate of cost savings; (2) an estimate of the additional cost that will result from the reorganization; (3) a study of the impact on the local economy; (4) an estimate on the effect of the reorganization on the availability, accessibility, and quality of services provided for recipients. Where any of these factors cannot be quantified, the Secretary would provide a statement on the extent of those factors in the cost-benefit analysis. The conference report contains this provision.

The intent of this amendment is to assure that (1) the Department, when proposing a nationwide plan to transfer any of its operations from one field office (regional, area or service office), to another

considers the cost and benefits of such a plan and the impact of the plan on the various localities involved, and (2) that the public and Congress will be notified of the Department's intent to implement such a plan by publication in the Federal Register of a cost/benefit analysis of the plan. It is intended that this amendment apply to those reorganization plans which are (a) proposed by the Department in the future, (b) are national in scope, and (c) effect a reduction or transfer in the location or amount of services provided by the Department to the recipient of its services. This amendment is not intended to apply to or restrict the internal operations or organization of the Department (such as the establishment of new or combination of existing organization units within a field office, the duty stationing of employees in various locations to provide on-site service, or the establishment or closing, based on workload, of small, informal offices such as valuation stations.) The amendment is also not intended to restrict the movement or geographic location of the offices of the Department in any given metropolitan area.

HOUSING PRODUCTION REPORTS

The Senate bill contained a provision, that was not included in the House amendment, which required the President, not later than January 20 of each year, to submit to Congress a report which: (1) reviews the progress made in achieving housing production objectives during the preceding year, and if relevant, identifies the reasons for any failure to reach the proposed objectives; (2) projects the level, composition, and general location of production and rehab activity for the current year, and reassess the availability of required resources; (3) specifies Federal programs and policies to be implemented or recommended to achieve the objective; (4) updates the estimates of the housing needs of lower income families in a detailed fashion as to type of need and household and location; (5) reviews the progress made in achieving goals of conserving and upgrading older housing and neighborhoods, expanding homeownership and equal housing opportunities, and assuring reasonable shelter costs; (6) reports on progress made toward developing new methods for measuring progress in achieving these goals; and (7) identifies legislative and administrative actions which will or should be adopted during the current year to achieve these goals. The conference report contains this provision.

TITLE VIII—NEIGHBORHOOD SELF-HELP DEVELOPMENT

The Senate bill contained provisions not in the House amendment which authorized a new program to provide grants and other assistance to qualified neighborhood organizations to undertake neighborhood conservation and revitalization projects.

FINDINGS

The Senate bill contained findings that: (1) existing urban neighborhoods are a national resource to be conserved and revitalized, and that public policy should promote that objective; (2) to be effective such revitalization efforts should maximize the support and participation of those directly affected at the neighborhood level; and (3) an effec-

tive way to obtain such participation at the neighborhood level is through neighborhood organizations with a demonstrable capacity for developing and carrying out revitalization projects. The conference report contains the Senate provision.

PURPOSE

The Senate bill provided that assistance under this program would be available to qualified neighborhood organizations to undertake specific housing and revitalization projects (1) in low and moderate income neighborhoods or (2) for the benefit of low and moderate income residents of other neighborhoods which need revitalization. An additional purpose would be to increase the capacity of neighborhood organizations to utilize and coordinate public, private and neighborhood resources. The conference report deletes the provision which provided that qualified projects could be in other than low and moderate income neighborhoods, but for the benefit of low and moderate income residents and limits eligible projects to those in low and moderate income neighborhoods which need conservation and revitalization. In addition, the conference report includes residents themselves as a group to be included in the effort to increase coordination.

DEFINITIONS

Neighborhood Organization

The Senate bill defined an eligible neighborhood organization as a voluntary, nonprofit organization which (a) is broadly representative of the neighborhood in which the project will be located, (b) is accountable to neighborhood residents, (c) has as an objective the revitalization of the neighborhood, and (d) is found by the Secretary to have a demonstrable capacity for developing and implementing neighborhood revitalization programs. The conference report contains the Senate provision with an amendment indicating that this organization may include representatives of local businesses, financial and other public and private entities.

Neighborhood Conservation and Revitalization Projects

The Senate bill defined a "neighborhood conservation and revitalization project" as including but not limited to: (a) locally conceived programs for housing rehabilitation and the creative reuse and improvement of existing housing, (b) revitalization of neighborhood retail business areas and the recycling of vacant industrial sites for the purpose of creating employment opportunities and neighborhood economic development, and (c) energy conservation and weatherization projects. The conference report contains this definition with a few minor amendments intended to make clearer that the specific types of projects enumerated in this section are illustrative only and that eligible neighborhood conservation and revitalization projects are not limited to those types specifically enumerated in the title.

AUTHORITY

The Senate bill provided that grants and assistance were to be made for planning and carrying out specific development, conservation and revitalization projects. The conference report contains the Senate provision amended to provide that grants and assistance are to be made for preparing and implementing specific projects rather than for planning and carrying out such projects. The conferees wish to emphasize that HUD should become involved in assisting a project after it had its planning essentially completed, (except architectural, engineering or similar types of specific plans) had tangible local support, and was moving well toward its implementation, rather than being simply at its earliest or initial planning or conceptual stages.

APPROPRIATE GRANTS

The Senate bill enumerated six specific criteria for eligible projects. Grants and other forms of assistance would be made available only if: (1) the assistance will be used for a specific project related to a revitalization strategy for a specific neighborhood; (2) the project will include a self-help component involving a contribution of time or resources by neighborhood residents; (3) the project will directly benefit residents of a low and moderate income neighborhood, or low and moderate income residents of other neighborhoods; (4) the project will involve leveraging of resources available from the private sector; (5) the project will involve the coordination of resources from the local, State or Federal Governments; and (6) the applicant demonstrates that the residents of the neighborhood (particularly those who will be directly affected) have been actively involved in and supportive of the selection of the project, and will continue to be involved in the project through an ongoing neighborhood participation mechanism. The conference report contains the Senate provision with two specific changes and the addition of a seventh criterion.

The second criterion, relating to a self-help component, was amended to indicate that a self-help component which involves a contribution of time or resources by neighborhood residents is not an absolutely essential element in determining project eligibility, but rather an element to be desired and encouraged whenever possible.

The third criterion, was amended to conform to the amendment made to the Purposes provision of the Senate bill deleting from eligibility projects which were not located in low and moderate incomes, but were for the benefit of low and moderate income residents of other neighborhoods.

An additional criterion necessary for eligibility, relating to the identification of funding sources, was added to require written verification that funding sources identified in the application do, in fact, support the project and can make the identified funds available to the project as the project progresses.

INELIGIBLE PROJECTS

The Senate bill enumerated several items which were not eligible for funding. These were: (1) planning functions not combined with project implementation; (2) a public works project, such as street repair, not connected with the specific funded project; (3) operation of a social service program not connected to a specific project; (4) an economic development project which will not primarily benefit the residents of the neighborhood in which it will be located; (5) operating

costs of a community group not connected with a specific project; (6) other purposes which the Secretary may determine are not con-

sistent with purposes of this title.

The conference report contains the Senate provision. The conferees wish to indicate that while the operation of a social service program or the operating costs of a community group, specifically associated with a funded project are eligible items, these costs should be funded only for a brief, start-up period after which other funds should be identified by the local community to supplant funds made available pursuant to this title. The conferees do not believe this start-up period should extend beyond two or three years.

CERTIFICATION BY LOCAL GOVERNMENT

The Senate bill provided that assistance could be made available under this title only after the unit of general local government within which the neighborhood to be assisted is located certified that the proposed assistance is consistent with, and supportive of, the objectives of that unit of government. The conference report contains the Senate provision with amendments that require that the application submitted by the applicant organization contain this certification by the local government and that this certification indicate that the project is consistent with, and supportive of, the specific objectives of that local government.

CONSULTATION WITH OTHER FEDERAL AGENCIES

The Senate bill contained a provision requiring the Secretary of HUD to consult with other federal departments and agencies having responsibilities related to the purposes of this title. The conference report retains this provision.

AUTHORIZATION

The Senate bill authorized an appropriation not to exceed \$15 million for each of the fiscal years 1979 and 1980. The conference report contains this provision.

TITLE IX—LIVABLE CITIES

The Senate bill contained a provision not in the House amendment which authorized a new program to provide assistance to States, neighborhoods and other organizations to enable such organizations to undertake or support projects aimed at revitalizing urban communities and neighborhoods, provide a more suitable living environment, expand cultural opportunities, and indirectly stimulate economic opportunities for the residents of urban communities and neighborhoods.

FINDINGS

The Senate bill contained findings that: (a) artistic, cultural and historic resources, including urban design, are an integral part of a suitable living environment for residents of urban areas and that such

resources should be available to all regardless of income; (b) the development and preservation of such resources are necessary to the vitality of the urban environment and can serve as a catalyst for improving urban communities; and (c) the encouragement and support of local initiatives, particularly in connection with federally assisted housing or community development activities or in communities with a high proportion of low-income residents, is an appropriate federal function. The conference report contains this provision.

PURPOSE

The Senate bill provided that the primary purpose of the title was to further efforts to revitalize communities and neighborhoods and to provide a more suitable living environment, expanded cultural opportunities and indirectly stimulate economic opportunities for their residents, particularly low and moderate income residents. The conference report provides that the purpose of the title is to assist the efforts of public and private groups to provide a more suitable living environment, expand cultural opportunities, and to the extent practicable, stimulate economic opportunities, all primarily for low and moderate income residents of communities and neighborhoods in need of conservation and revitalization.

DEFINITIONS

The Senate bill contained a number of definitions which have been retained with a few technical changes in the conference report.

Art and Arts

The terms "art" and "arts" are defined as including, but not limited to, architecture, landscape architecture, urban design, interior design, graphic arts, fine arts, performing arts, literature, crafts, photography, communications media and film, as well as activities which reflect a cultural heritage.

Nonprofit Organization

The definition contained in the Senate bill has been technically

revised and included in the conference report.

The term "nonprofit organization" is defined as meaning an organization in which no part of its net earnings inures to the benefit of any private stockholder or stockholders, individual or individuals and, if a private entity, which is not disqualified for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1954 by reason of attempting to influence legislation and does not participate in or intervene in any political campaign on behalf of any candidate for public office. Such organizations may include states and units of local government, regional organizations of local governments and non-profit societies, neighborhood groups, institutions, organizations, associations or museums. The conferees also wish to indicate that an eligible private entity would not have to possess a section 501(c)(3) exemption but only that it would not be disqualified from receiving

one by virtue of the degree of its activity in attempting to influence legislation or participate in political campaigns on behalf of any candidate for public office.

Project

The Senate bill and the conference report define project as a program or activity intended to carry out the purpose of this title including programs for neighborhood and community based arts programs, urban design, user needs design, and the encouragement of the preservation of historic and other structures being of neighborhood or community significance.

Other Definitions

The Senate bill and the conference report define the term "Secretary" to mean the Secretary of the Department of Housing and Urban Development; the term "Chairman" to mean the Chairman of the National Endowment for the Arts; the term "Department" to mean the Department of Housing and Urban Development; and the term "Endowment" to mean the National Endowment for the Arts.

AUTHORITY

The Senate bill would have authorized the Secretary to make grants or contract or make other arrangements with nonprofit organizations (or, in appropriate cases, as determined by the Secretary, to enter into contracts with profitmaking organizations). The conference report contains language which limits this authority to the making of grants or contracts with nonprofit organizations. The conferees believe that eligible nonprofit organizations could, in turn, make arrangements as provided in their agreements with the Secretary and in accordance with HUD's applicable regulations and procedures, with other groups, which could include profitmaking organizations. The change contained in the conference report is intended to clarify that the direct contemplated relationship in this program is between the Department and nonprofit organizations.

The Senate bill also provided that eligible projects must carry out the purposes of the title and (1) have substantial artistic, cultural, or urban design merit; (2) represent community or neighborhood initiatives which have a significant potential for revitalizing communities or neighborhoods, enhancing civic identity and pride for the residents, particularly low and moderate income residents of urban areas; and (3) meet the criteria jointly established by the Secretary

and Chairman of the National Endowment for the Arts.

The conference report provides that eligible projects (1) have substantial artistic, cultural, historical or design merit; (2) represent community or neighborhood initiatives which have a significant potential for conserving or revitalizing communities and neighborhoods, and enhancing civic identity and pride; and (3) meet the criteria jointly established by the Secretary and Chairman of the National Endowment for the Arts. The conference report retains the Senate provision regarding criteria for evaluating and selecting projects; how-

ever, the conferees recognize that the extent to which any eligible project may meet these criteria will vary and that the primary purpose of these criteria is to act as a tool for use by the Secretary and Chairman in evaluating and ranking prospective projects.

ELIGIBLE PROJECTS

The Senate bill contained a provision requiring the Secretary and Chairman to establish criteria and procedures for evaluating and selecting projects to be assisted which criteria shall address, but need not be limited to, the following factors: (1) artistic, cultural, historic, or urban design quality; (2) the degree of broadly-based, active community participation and involvement by local officials and artists in the proposed project; (3) the degree of, or potential for, utilization of assistance from other federal, state, and local public or private sources; (4) the feasibility of project implementation, including the sponsor's capability; (5) the potential contribution to neighborhood revitalization and civic pride; (6) the potential for stimulating neighborhood economic and community development, particularly for the benefit of low and moderate income persons; and (7) the potential utilization by neighborhood residents, particularly residents who are of low and moderate income, senior citizens, and handicapped persons. The conference report contains this provision with minor technical changes. The conferees wish to indicate that each project may not meet each enumerated criteria and that the Secretary and Chairman may also utilize additional criteria in their evaluation.

APPLICATION FOR FINANCIAL ASSISTANCE

Procedural Compliance

The Senate bill contained a provision which is also contained in the conference report requiring applications to be submitted in accordance with regulations and procedures established by the Secretary and the Chairman.

Consultation With Local Officials and Chairman

The Senate bill contained a provision requiring the Secretary and Chairman to seek the recommendations of state and local officials and private citizens knowledgeable in community and economic development and revitalization, and of such officials and citizens knowledgeable in the arts. The conference report contains this Senate provision.

OTHER FUNDING

The Senate bill required the Secretary, in cooperation with the Chairman, to prescribe regulations which would require that a specific portion of the cost of any assisted project be provided from sources other than funds made available by this title which could be reduced or waived by the Secretary taking into account the financial capacity of the applicant. The conference report contains this Senate provision modified so as to clarify that in cooperation with the Chairman, the Secretary would have the discretionary authority to establish a set of financial matching requirements which might vary depending on the

type of applicant and which might be reduced or waived solely on the basis of the financial capacity of the applicant.

ELIGIBILITY OF SPONSOR ORGANIZATIONS

The Senate bill contained a provision which defined an eligible organization. The conference report does not contain this provision as its substance was incorporated into the definition of a nonprofit organization contained in the definitions section of this title.

CONSISTENCY WITH THE OBJECTIVES OF THE APPLICABLE UNIT OF LOCAL GOVERNMENT

The Senate bill contained a provision requiring the Secretary and Chairman to establish procedures for eliciting the cooperation of local officials in assuring that no project be approved which would be inconsistent with the objectives of the unit of local government within which such projects would be carried out, including the cultural and community development and neighborhood preservation and revitalization plans and activities of that government. The conference report contains a substitute provision which provides that grants and assistance may be made available only if the application submitted by the applicant contains a certification by the unit of general local government that the project is consistent with, and supportive of, the objectives of that government for the area in which the project will be located.

The conferees wish to insure the involvement of the local government (where it is not the applicant) earlier in the application process than was necessarily required in the Senate bill. In addition, the conference report requires an affirmative indication that an eligible project is consistent with, and supportive of, the objectives of that government for the area of the city in which the project would be located.

PROHIBITION AGAINST SUBSTITUTION

The Senate bill contained a prohibition against utilizing funds under this title to supplant non-federal funds. The conference report contains the Senate provision amended to prohibit the use of funds authorized for this program to supplant federal, as well as non-federal funds.

ADMINISTRATIVE EXPENSES

The Senate bill provided that no more than ten percent of the funds appropriated for any fiscal year be available for adminstrative expenses. The conference report contains this provision.

ADMINISTRATIVE COORDINATION

The Senate bill provided that insofar as practicable the Secretary coordinate the administration of the provisions of this title, and encourage the coordination of activities assisted under this title with existing Federal, State and local public and private programs. The conference report amends this provision to strengthen the Secretary's responsibility to coordinate the administration of this program in cooperation with other Federal agencies and to assure, rather than en-

courage, the coordination of assistance under this title with related efforts undertaken by State and local governments and private groups.

AUTHORIZATION

The Senate bill authorized an appropriation not to exceed \$5 million for fiscal year 1979, and not to exceed \$10 million for fiscal year 1980. The conference report contains this provision.

HENRY S. REUSS, THOMAS L. ASHLEY, WILLIAM S. MOORHEAD, FERNAND J. ST GERMAIN, HENRY GONZALEZ, PARREN J. MITCHELL, LES AUCOIN, JAMES J. BLANCHARD, STANLEY LUNDINE, GARRY BROWN, J. W. STANTON, CHALMERS P. WYLIE, Managers on the part of the House. WILLIAM PROXMIRE, JOHN SPARKMAN, HARRISON A. WILLIAMS, Jr., THOMAS J. McIntyre, EDWARD W. BROOKE, JOHN TOWER. Managers on the part of the Senate.



HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

May 15, 1978.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Reuss, from the Committee on Banking, Finance and Urban Affairs, submitted the following

REPORT

together with

SUPPLEMENTAL, ADDITIONAL AND MINORITY VIEWS

[To accompany H.R. 12433]

[Including cost estimate and comparison of the Congressional Budget Office]

The Committee on Banking, Finance and Urban Affairs, to whom was referred the bill (H.R. 12433) to amend and extend certain Federal laws relating to housing, community and neighborhood development and perservation, and related programs, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of

the introduced bill) are as follows:

Page 3, line 7, strike out the second period and insert in lieu thereof "; and", and insert the following after line 7:

(5) by inserting "(A)" in subsection (c) (3) after "not to exceed" and by inserting in such subsection after "at any time," the following: "or (B) except that where the Secretary finds it appropriate to carry out the purposes of this section, the Secretary may establish such higher rate of interest for loans which will primarily benefit persons who have annual incomes exceeding 95 percent of the median income of the area. Such higher rate shall not exceed a rate determined by the Secretary of the Treasury, taking into consideration the current market yield of outstanding marketable obligations of the United States with remaining periods of maturity comparable to the terms of loans made pursuant to this section, adjusted to the nearest one-eighth of one percent. In

determining an appropriate rate, the Secretary shall consider the condition, location, and anticipated use of the property, the nature of the proposed rehabilitation, the income of the applicant, and such other factors as the Secretary finds relevant;".

Page 8, line 19, insert ", or assisted or approved for assistance under such Act," after "Act"; page 9, line 7, strike out "covered" and all that follows through "Act and" in line 9; and page 9, line 10, strike out "such" and insert in lieu thereof "the National Housing".

Page 11, line 21, strike out the period and insert in lieu thereof ";

and", and insert the following after line 21:

(8) the appropriate unit of general local government has been consulted to insure consistency with local plans and priorities.

Page 18, after line 10, insert the following new subsection:

(d) Section 202(d)(2) of such Act is amended to read as follows:

"(2) The term 'corporation' means any incorporated

private institution or foundation—

"(A) no part of the net earnings of which inures to the benefit of any member, founder, contributor,

or individual;

"(B) which has a governing board (i) the membership of which is selected in a manner to assure that there is significant representation of the views of the community in which such project is located, and (ii) which is responsible for the operation of the housing project assisted under this section; and

"(C) which is approved by the Secretary as to

financial responsibility."

Page 19, strike out lines 1 through 5 and insert the following:

"(B) the owner shall have the right to give notice to vacate, in accordance with State and local laws which the Secretary has determined provide adequate protection for tenants and in accordance with determination of the public housing authority pursuant to review procedures which the Secretary has determined provide such protection;"

Page 26, after line 13, add the following:

(c) The Secretary of Housing and Urban Development shall conduct a study of the feasibility of underground construction of residential housing and changes in housing codes and financing which may be necessary as the result of the adoption of this construction method. The Secretary shall transmit a preliminary report at the end of the first year after the date of enactment of this Act and a final report no later than 2 years after such date to both Houses of the Congress with regard to the findings and conclusions made as a result of such study, along with any legislative recommen-

dations which the Secretary determines should be enacted with respect to the subject of such study.

Page 33, line 14, strike out "disposition," and all that follows

through line 24.

Page 35, insert the following new section after line 21:

TITLE I

HOME IMPROVEMENT LOANS FOR MULTIFAMILY DWELLINGS

SEC. 320. The first sentence of section 2(b) of the National Housing Act is amended by striking out "\$25,000", "\$5,000", and "twelve years" in the third proviso in clause (3) and inserting in lieu thereof "\$37,500", "\$7,500", and fifteen years", respectively.

Page 35, insert the following new section after line 21:

AMENDMENTS TO THE FEDERAL HOME LOAN MORTGAGE CORPORATION ACT

SEC. 321. (a) Paragraph (1) of subsection (a) of section 305 of the Federal Home Loan Mortgage Corporation Act is amended by inserting the following before the period at the end of the first sentence thereof: "or from any mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act".

(b) Paragraph (1) of subsection (a) of section 305 of the Federal Home Loan Mortgage Corporation Act is amended by adding at the end thereof the following new sentences:

"The Corporation may establish requirements, and impose charges or fees, which may be regarded as elements of pricing, for different classes of sellers or servicers, and for such purposes the Corporation is authorized to classify sellers or servicers according to type, size, location, assets, or, without limitation on the generality of the foregoing, on such other basis or bases of differentiation as the Corporation may consider necessary or appropriate to effectuate the purposes or provisions of this Act. The Corporation may specify requirements concerning, among other things, (A) minimum net worth; (B) supervisory mechanisms; (C) warranty compensation mechanism; (D) prior approval of facilities; (E) prior organization and servicing experience with respect to different types of mortgages; (F) capital contributions and substitutes; (G) mortgage purchase volume limits; and (H) reduction of mortgage purchases during periods of borrowing. With respect to any particular type of seller, the Corporation shall not be required to make available programs involving prior approval of mortgages, optional delivery of mortgages, and purchase of other than conventional mortgages to an extent greater than the Corporation elects to make such programs available to other types of eligible sellers. Any requirements specified by the Corporation pursuant to the preceding three sentences must bear a rational relationship to the purposes or provisions of this Act, but will not be considered discriminatory solely on the grounds of differential effects on eligible sellers. Insofar as is practicable, the Corporation shall make reasonable efforts to encourage participation in its programs by each type of eligible seller."

(c) The amendments made by this section shall become effective at the end of 210 calendar days after enactment of this Act, but not before January 31, 1979, or on such earlier date as the Federal Home Loan Mortgage Corporation may prescribe.

Page 35, insert the following new section after line 21:

SALE OF ACQUIRED PROPERTY TO COOPERATIVES

SEC. 322. Section 246 of the National Housing Act is amended to read as follows:

"SALE OF ACQUIRED PROPERTY TO COOPERATIVES

"Sec. 246. In any case in which the Secretary sells a multifamily housing project acquired as the result of a default on a mortgage which was insured under this Act to a cooperative which will operate it on a nonprofit basis and restrict permanent occupancy of its dwellings to members, or to a nonprofit corporation which operates as a consumer cooperative as defined by the Secretary, the Secretary may accept a purchase money mortgage, or upon application of the mortgagee, insure a mortgage under this section upon such terms and conditions as the Secretary determines are reasonable and appropriate, in a principal amount equal to the value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves; except that the Secretary may add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or make such other provision for payment of such expenses and costs as the Secretary deems reasonable and appropriate. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements."

Page 35, insert the following new section after line 21:

SECONDARY MORTGAGES ON INSURED PROPERTIES

Sec. 323. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"SECONDARY MORTGAGES ON INSURED PROPERTIES

"Sec. 528. In carrying out the provisions of title II of this Act with respect to insuring mortgages secured by a one-to-

four-family dwelling unit, the Secretary may not deny such insurance for any such mortgage solely because the dwelling unit which secures such mortgage will be subject to a secondary mortgage or loan made or insured, or other secondary lien held, by any State or local governmental agency or instrumentality under terms and conditions approved by the Secretary."

Page 40, strike out the quotation mark at the end of line 7 and insert the following after line 7:

"(g) (1) In order to assist in reducing deaths caused by unsanitary water and waste disposal systems in rural areas, the Secretary shall conduct a study for the purposes of determining—

"(A) the approximate number of rural housing units without access to sanitary waste disposal facilities and potable water or without access to either sanitary waste

disposal facilities or potable water; and

"(B) the cost of implementing an emergency program to provide sanitary waste disposal facilities and potable water supplies for such housing units within a

two-year period.

"(2) The Secretary shall, no later than 6 months after the date of enactment of this subsection, transmit a report to both Houses of the Congress containing the findings, conclusions, and recommendations of the Secretary with respect

to the study conducted pursuant to this subsection."

Page 43, line 15, after "(B)", insert the following: "and when the Secretary determines that assisted rental housing programs (as authorized under this title, the National Housing Act, and the United States Housing Act of 1937) would be unsuitable in the area in which such persons reside".

Page 44, line 5, strike out ", and" and all that follows through

"allowance" on line 7.

Page 44, line 13, strike out "The" and insert in lieu thereof "Except

for Federal or State laws relating to taxation, the".

Page 44, lines 22 and 23, strike out "section 235 or 236 of the National Housing Act." and insert in lieu thereof "the National Housing Act and the United States Housing Act of 1937.".

Page 45, line 2, strike out the quotation mark and the last period

and insert the following after line 2:

"(H) The aggregate principal amount of loans made to borrowers receiving assistance pursuant to subparagraph (C) shall not exceed \$440,000,000."

Page 46, line 16; insert "or a nonprofit corporation" before "to provide".

Page 47, line 2, insert "or by a nonprofit corporation" after "agencies".

Page 47, line 18, insert "or a nonprofit corporation" after "agency". Page 48, strike out the period at the end of line 6 and insert in lieu thereof "; and".

Page 48, after line 6, insert the following new paragraph:

(9) the term "nonprofit corporation" means any corporation responsible for a housing project assisted under section 202 of the Housing Act of 1959.

Page 48, insert "and with nonprofit corporations" before the comma in line 12.

Page 49, line 10, insert "and a nonprofit corporation" after "agency". Page 49, line 19, insert "and a nonprofit corporation" after "agency".

Page 49, lines 22 and 23, strike out "The public housing agency" and insert in lieu thereof "Such agency and nonprofit corporation".

Page 49, line 24, strike out "its" and insert in lieu thereof "any".

Page 50, line 3, insert "and nonprofit corporation" after "agency". Page 50, line 10, insert "and nonprofit corporation" after "agency".

Page 50, line 14, insert "and nonprofit corporation" after "agency". Page 50, line 15, strike out "its" and insert in lieu thereof "any".

Page 50, line 17, insert "nonprofit corporation or" after "Any".

Page 50, line 22, strike out "(g) Public housing agencies" and insert in lieu thereof "(g) Nonprofit corporations and public housing agencies".

Page 51, lines 8 and 11, insert "or nonprofit corporation" after

"agency".

Page 51, line 13, insert "nonprofit corporation and" after "Each". Page 52, line 16, insert "or nonprofit corporation" after "agency".

Page 52, line 23, insert "or nonprofit corporation" after "agency". Page 53, line 11, insert "nonprofit corporation or" after "the ".

Page 53, line 19, insert "and nonprofit corporation" after "agency". Page 53, line 23, insert "nonprofit corporation and" after "each".

Page 53, line 25, strike out "its" and insert in lieu thereof "their".

Page 54, line 5, insert "nonprofit corporation or" after "the".

Page 55, line 4, insert "nonprofit corporations and" after "performance of".

Page 55, line 6, insert "nonprofit corporation and" after "such".
Page 55, line 17, insert "nonprofit corporations and" after "payments to".

Page 55, line 23, insert "and projects assisted under section 202 of

the Housing Act of 1959" after "projects".

Page 56, line 3, insert "and projects assisted under section 202 of the Housing Act of 1959" after "projects".

Page 56, line 12, insert "and nonprofit corporations" after "agencies".

Page 56, line 18, insert "and nonprofit corporations" after "agencies".

Page 56, line 23, insert "and nonprofit corporation" after "agency".
Page 57, line 1, insert "or projects assisted under section 202 of the Housing Act of 1959" after "projects".

Page 57. line 15, insert "or to a resident of a housing project assisted

under section 202 of the Housing Act of 1959" after "resident".

Page 61, line 6, strike "who shall" and all that follows through "directors" on line 7, and on page 61, insert the following after line 18 (and redesignate subsections (b), (c), (d), (e), (f), and (g) on pages 61 and 62 as subsections (c), (d), (e), (f), (g), and (h), respectively):

(b) The Board shall elect from among its members a chairman who shall serve for a term of two years, except that the

Chairman of the Federal Home Loan Bank Board shall serve as Chairman of the Board of Directors for the first such two-

year term.

Page 64, line 25, strike out "grants to expand" and insert in lieu thereof "support which may include grants and technical assistance to assist in the development of"; and on page 65, line 1, insert "demonstration" after "pool".

Page 69, after line 21, insert the following new section:

APPLICATION OF GOVERNMENT CORPORATION CONTROL ACT

Sec. 608. Section 101 of the Government Corporation Control Act is amended by inserting "National Neighborhood Reinvestment Corporation;" after "Federal Housing Administration;".

Introduction

The committee bill, H.R. 12433, as amended, the proposed "Housing and Community Development Amendments of 1978", contains six titles

as follows:

Title I contains greatly increased funding for the section 312 rehabilitation loan program, a revised FHA authority to insure rehabilitation loans and a number of changes to the community development block grant program to clarify Congressional intent with regard to the expected to reside requirement and a clarification that the three main purposes of the community development block grant program are to be considered coequal and that no application can be denied because a community addresses one of these purposes to a greater or lesser degree than the other.

Title II would establish a new program designed to improve management and lower the operating costs of certain troubled multifamily rental projects in order to restore the financial stability and maintain the low and moderate income character of the project. Fiscal year 1979 funding for assisted housing programs are contained in this

title.

Title III would extend for one additional fiscal year the authority of the Secretary of HUD to insure under the various provisions of the National Housing Act. Additional fiscal year authorizations for various HUD programs and extensions of the Federal urban riot reinsurance, crime insurance and flood insurance programs for an additional

fiscal year are also contained in this title.

Title IV provides additional authorizations and extensions of authority under the various provisions of Title V of the Housing Act of 1949 regarding the rural housing programs administered by the Farmers Home Administration. This title would authorize a new deep subsidy homeownership program for persons of very low income who could not afford existing housing assistance programs. This title would also direct the Secretary of Agriculture to conduct research and demonstration programs related to rural housing needs, including those owners of property subject to remote claims.

Title V would create a new program by providing funding over the next three years for the Secretary of HUD to contract with public housing agencies and sponsors of section 202 elderly housing for a

term of 3 to 5 years to provide congregate services programs for handicapped persons or temporarily disabled elderly living in these projects.

Title VI would create a public corporation, the National Neighborhood Reinvestment Corporation, to implement and expand demonstration activities carried out by the Urban Reinvestment Task Force.

Hearings on the bill were held by the Subcommittee on Housing and Community Development on March 8, 20, 21, 22 and 23, 1978. The Subcommittee held markup sessions on the bill, April 24, 25 and 27, and approved for full committee consideration a clean bill, H.R. 12433. The full committee considered and amended this bill during markup sessions on May 8 and 9 and ordered the bill reported, as amended, on May 10, 1978.

WHAT THE BILL WOULD DO

INTRODUCTION

The committee, over the past year, has commenced a thorough examination of the federal housing and community development policies and programs. This examination, undertaken by the Subcommittee on Housing and Community Development and its various task forces, has involved extensive field hearings and analytical research. This bill

represents the first results of that continuing examination.

The committee has, for some time, been committed to the restoration and preservation of the existing housing stock. This bill strengthens and continues that commitment through a number of significant program changes and additions. The committee has greatly expanded the section 312 loan program to aid in the rehabilitation of the homes of low- and moderate-income families, and has made extensive revisions to the section 203(k) rehabilitation loan insurance program to facilitate investment in the rehabilitation of homes by more affluent families. In a variety of ways, the committee has also acted to assist in the preservation of neighborhoods. The strengthening of the urban insurance programs and the institutionalization of the successful Urban Reinvestment Task Force are major aspects of this commitment to

neighborhood preservation.

The needs of the elderly and the handicapped are of great concern to the committee. To assist them in living independently in a noninstitutional setting, the committee has made several significant improvements in the programs of the Department of Housing and Urban Development. The committee adopted an amendment which would permit the Secretary of HUD to make grants to provide services to the residents of congregate housing operated by public housing authorities or nonprofit owners of section 202 projects. In addition, the committee has provided that the section 232 mortgage insurance program could be expanded to permit insurance on nursing home facilities, which would be available for the daytime use of nonresident elderly persons. The committee has also addressed the specific housing needs of the handicapped by providing that a minimum of \$50 million of section 202 lending authority be employed annually to meet those needs.

Much of the committee's concern, over the past year, has been with the management and program operations of the Department of Housing and Urban Development and the Farmers Home Administration. The committee has, as a result of this concern, made a number of refinements and improvements to the programs of these two agencies. It has authorized a new program to aid troubled FHA-insured properties, has approved a new Farmers Home program aimed at providing housing for families not presently served by existing programs, and has made numerous other specific program improvements.

The committee anticipates that with these program improvements the federal housing and community development policies will be enhanced. The committee, however, expects to continue its examination of the Federal housing and community development policies and programs in an effort to assure that much needed assistance will be avail-

able and administered efficiently.

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

REHABILITATION LOANS AND LOAN INSURANCE

The committee adopted several amendments in the bill which would perfect and expand existing federal housing rehabilitation financing assistance. In so doing, it recognized that, to meet the extensive need for neighborhood rehabilitation, both an increased commitment of public funds and a more effective means for encouraging private cap-

ital investment were required.

Section 312 direct, below market loans have been used extensively and successfully in local neighborhood rehabilitation and urban homesteading programs. These loans have served to meet both the financing needs of property owners who could not afford market rate financing and those who, while they might afford market rate financing, were unable to find private financing for properties in older neighborhoods. Most of the loans made in the past were for the repair of residential owner-occupied properties of from one-to-four units. These loans have been extremely helpful in bringing the homes of low and moderate income families into compliance with local health and safety codes. Localities have relied and continue to rely heavily on this program to maintain and encourage homeownership in older neighborhoods. The committee believes that this is the proper use of this program and wishes to make clear that this use should continue to be emphasized by the Secretary. To this end, the bill amends section 312 to reemphasize the priority given to low and moderate owner-occupants of properties (including cooperatives and condominiums). The committee believes that by focusing on the rehabilitation needs of low and moderate income homeowners, the long-term prospect for an overall improvement in the housing stock will be enhanced. This belief is strongly buttressed by a recent study of the section 312 program by the Urban Institute.

Some multifamily and commercial properties have also received section 312 financing. However, the committee is concerned that an expansion of this program to cover more multifamily rental properties and commercial structures than it has in the past may be inappropriate. By re-emphasizing the priority given to lower income home owners, the committee does not intend to rule out the use of section

312 loans for investor-owned properties; however, the committee does intend that the Secretary permit section 312 loans to be used for such properties only when the locality finds it necessary to meet specific neighborhood rehabilitation objectives. The committee expects that the Secretary will encourage localities to use other methods to assist investor-owners with the rehabilitation of their properties, such as the newly amended section 203(k) mortgage insurance program and the moderate rehabilitation component of the section 8 program.

The committee is seriously concerned that some of the increased funds for section 312 loans will be substituted for funds that could be made available from private lenders. In this respect, it appears that the three percent interest rate limit on these loans has contributed significantly to such a substitutional effect in the past. A substantial percentage of section 312 loans has been provided to persons whose incomes were above the national median and to persons who spend less than twenty percent of their incomes on housing. This occurred in spite of the fact that for some time there has been a priority in the program for low and moderate income borrowers. It appears to the committee that some of these persons might have been able to afford to borrow at the market rate or, at least, at rates above the three percent limit in exising law. The committee has adopted two amendments in order to lessen the tendency for below market rate section 312 loans to be made to such persons.

One amendment would permit the Secretary to establish a sliding scale of interest charges for section 312 loans for persons whose annual income exceeds ninety-five percent of the median income for the area. This amendment permits the Secretary to establish an interest rate higher than three percent, but not in excess of the government's cost of borrowing for a term similar to the section 312 loan term. The higher rate could be set by the Secretary based on a variety of criteria including the location, condition, anticipated use and nature of the rehabilitation of the property, as well as on the income of the borrower. The committee contemplates that the Secretary will set the rate at the point necessary to make the rehabilitation feasible in accordance with the ability of the borrower to pay. The committee wishes to make clear that the ability to set the higher rate is entirely discretionary with the Secretary, and that if it is found that setting a rate above three percent would be detrimental to the program, all borrowers could continue to receive the three percent rate. The committee is concerned, however, that there might be a tendency to set the rate at the highest possible level within the limit established by the Treasury borrowing rate. It is not the intention of this amendment to have such a result mandated by the Office of Management and Budget.

Another amendment would revise FHA's section 203(k) rehabilitation loan insurance program to make it more acceptable to private lenders and more workable in neighborhood rehabilitation programs. It is expected that this program will be used to meet the credit needs of owners of from one-to-four family properties who can afford market rate borrowing. As amended, the section 203(k) program would insure one hundred percent of the loan amount and could cover the cost of rehabilitation, rehabilitation and refinancing existing debt or the purchase and rehabilitation of properties. The interest rate

would be the same as that of the FHA section 203(b) home purchase loan insurance program which, while it is above the below market rate in the section 312 program (even as amended), is substantially below the FHA title I home improvement loan rate. The program has been designed to facilitate financing during the rehabilitation of a structure by insuring construction advances and to permit a higher interest rate to be charged during the rehabilitation period. The committee recognizes that the Secretary may initially need to limit the program to specific areas in order to develop new underwriting standards which take into account varying risks that accompany rehabilitation in different neighborhoods. The committee expects that the development of these standards will take no more than eighteen months and, therefore, directs the Secretary to make this program broadly

available no later than two years after enactment.

The amendments to sections 312 and 203(k) both include provisions which would require that the improvements to the properties for which loans under these sections are made must meet cost-effective energy conservation standards. The committee does not intend that the total structure receiving assistance must be brought up to cost-effective energy conservation standards, but it expects that the Secretary will at least require that the improvements financed shall meet such standards. These standards should be designed by the Secretary such that for every dollar invested in energy conserving improvements, there is at least enough energy cost savings to amortize that dollar over the useful life of the improvement or the loan period whichever is shorter. The committee has delayed the effect of this requirement in the section 312 program for 180 days after enactment to permit the Secretary to develop and disseminate the standards. The committee expects that the Department's publication "In the Bank . . . or Up the Chimney?", revised to include the format used by the Community Services Administration in presenting the standards prescribed for their weatherization program, could be sufficient for the purposes of this provision.

The committee adopted amendments to increase from \$50,000 to \$100,000 the section 312 loan limits for commercial properties and increased the amount authorized for appropriation for the section 312 loan program to \$245,000,000. The limit for commercial loans had not been raised since the establishment of the program. With a new emphasis on economic development, the committee recognizes that the existing limit would severely restrict the use of this program to the detriment of local community development program objectives. The committee, however, expects that the use of the program for commercial loans will be primarily limited to facilities suitable for neighbor-

hood commercial use.

The committee established the overall authorization level of \$245 million in accordance with the President's initial urban policy recommendations. In addition, the committee learned that there is a substantial backlog of section 312 loan applications in the Department and all existing allocations have already been distributed. In providing this increased authorization, the committee directs the Secretary to take immediate steps to review the method by which section 312 loans are serviced. The delinquencies in section 312 loan repayments are intolerably high and section 312 loan servicers have been directed not to

make personal contact and use other routine and reasonable means for securing prompt payments from delinquent borrowers. This situation has been noted by other committees of the House, as well as by the Comptroller General. The Secretary is directed to provide the committee with a report on the extent of delinquencies and losses and on the measures being taken by the Department to improve the administration of the program.

URBAN HOMESTEADING

The committee has increased the authorization for the urban home-steading program to \$25 million for fiscal year 1979, \$5 million more than requested by the Administration. The committee is pleased with the initial indications of success and acceptance of this program by communities throughout the country and wishes to encourage its expansion. The committee, however, does not believe that a sufficient pool of suitable one- to four-family houses is available or likely to become available to the Department to warrant a greater expansion of the program beyond that which it is recommending. If the demonstration of urban homesteading in multifamily properties, authorized in a separate section of this bill, is successful the committee anticipates that this program will be able to be greately expanded.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AMENDMENTS

HAP Categories

The Community Development Block Grant Program requires that a community in its Housing Assistance Plan identify "the relative portion of new, rehabilitated and existing dwelling units" best suited to the needs of lower-income persons in the community when setting its annual housing assistance goal. Some confusion has existed over the type of housing stock meant to be included in these three categories. It is the intent ofthe committee in expanding the statutory term "existing" to make clear that federal assistance is available for various levels of upgrading, preservation and rehabilitation of the existing housing stock. Communities should be asked to identify not only existing units which are already decent, safe and sanitary and, therefore, suitable for occupancy, but also existing units which through modest levels of npgrading may be made decent, safe and sanitary and preserved as a housing resource.

Expected to Reside

The committee adoped an amendment which is designed to clarify what is meant by the term "expected to reside" which is contained in the housing assistance plan requirement of the Community Development Block Grant Program. In that plan, a community must, in addition to other things, (1) describe a program designed to improve conditions for low- and moderate-income persons residing in or "expected to reside" in the community, and (2) submit a housing assistance plan (HAP) which assesses the housing needs of lower-income persons residing in or "expected to reside" in the community. The amendment, adopted by the committee, would make clear that the term "expected to reside" was intended to cover individuals who either work in the community and live elsewhere, or who are likely to work there as a

result of projected employment opportunities in the community, such as would result from the planned construction of a new manufacturing plant. The concept of "expected to reside" was not intended to require a "fair share" allocation of lower-income persons throughout a metropolitan area. In this connection, the committee intends for this amendment to make it clear that there is no basis for HUD's regulations regarding the calculation of "expected to reside" and that the calculation must be based on employment related factors. However, the committee does not want to discourage communities from voluntarily agreeing among themselves to "fair share" the responsibility for housing the lower-income families within their area.

Application Disapproval

The committee adopted an amendment to the Community Development Block Grant Program, which would reemphasize the basis upon

which an application could be disapproved.

The CDBG Program delegates to local officials in consultation with their citizens the responsibility for determining their community's development needs, the activities to meet those needs, and how those activities were to be carried out. The community was to undertake these responsibilities within the context of the long-term objective of the program—the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities principally for persons of low and moderate income. The statute established that this objective was to be accomplished through a broad set of national priorities for spending CDBG funds. The operative section relating to spending priorities is section 104(b)(2) of the 1974 Act. This section provides that each community must develop a program which gives maximum feasible priority to activities which will either benefit low and moderate income families, aid in the prevention or elimination of slums or blight or, as approved by the Secretary, are designed to meet particular urgent community development needs. The statute leaves the responsibility for determining which of these priorities should be emphasized to the community.

The Secretary is required to approve an application unless a finding is made (1) that a community's description of its community and housing needs and objectives is plainly inconsistent with the facts and data generally available; (2) that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives the community identified; or (3) that the application does not comply with

the Act or other applicable laws.

The amendment would clarify that the Secretary, in making a determination to disapprove an application, cannot do so simply because it gives greater or lesser weight to one spending priority in relation to the others, since those priorities are of a coequal nature. The amendment would in no way limit the Secretary's ability to find, for example, that a community was undertaking activities plainly inappropriate to meeting that community's identified needs and objectives. The basic thrust of the amendment is to assure that the Secretary make a determination to disapprove an application based on the community's individual circumstances, not against an artificial national standard of how best to spend CDBG funds.

Eligible Activities

The committee approved a provision which would broaden the eligibility for relocation payments and assistance to be paid from CDBG funds with respect to displacements from any cause, if the payments and assistance are determined by the grantee to be appropriate to the community development program. Currently only displacements caused by activities assisted under the block grant program are eligible. The amendment would permit assistance where there is a displacement of tenants under private developer section 8 projects or as a result of other HUD-assisted displacement causing actions not covered by the Uniform Relocation Act. This provision is designed to give the community greater flexibility, and the committee wishes to make clear that the determination of when and under what circumstances CDBG funds are to be used to assist displaced tenants is to be made by the community (except as may be required under the Uniform Relocation Act).

TITLE II—HOUSING ASSISTANCE PROGRAMS

FINANCIAL ASSISTANCE TO TROUBLED ASSISTED HOUSING PROJECTS

Both the committee and the Department have been concerned by the high failure rate in FHA-insured assisted housing projects. For example, nearly 14 percent of all insured section 236 units had been foreclosed upon or were in assignment by the end of calendar year 1977 and an additional 3.6 percent were in substantial default. The section 221(d)(3) BMIR program was in even worse condition with an astounding 29.4 percent of its insured units in assignment or foreclosure and 3.4 percent in substantial default. These levels of project failure have been extremely costly both to the federal government, which can lose as much as 70 cents out of every dollar which it pays out in claims, and to the low- and moderate-income tenants of these projects who often lose their homes. In an attempt to forestall even greater losses in the future, and to maintain an important housing resource for low- and moderate-income families, the committee, working closely with the Department, developed a program designed to alleviate a major cause of project failure.

The committee, in examining causes of failure, concluded that the essential controllable problem is project management. Before detailing the committee's proposal, a discussion of the background information that led the committee to its conclusion and to the design of the

program would be helpful.

By definition, projects fail when income is consistently exceeded by expense. The risk that such a situation will occur is particularly acute during periods of high inflation and is aggravated even further during periods of recession when incomes fall in real terms relative to expense.

These were the precise conditions which existed during the period of greatest failure among the assisted housing projects. However, the effect that the twin conditions of inflation and recession have on project viability bears closer scrutiny. Since over the last five to six years operating costs in all multifamily housing have increased at a rate in

excess of the rate of increase in the incomes of tenants, it would seem logical that rents would take up a greater and greater share of tenant income. However, the data for the period 1972 to 1975, the worst period of the recent recession, tends to contradict this conclusion since median income rose by over 20 percent, while median rent rose by only 15 percent. This dichotomy—operating expenses increasing at a rate faster than income but rent increasing at a rate slower than income—is explained by the fact that operating costs represent approximately 60 percent of the expenditures which comprise rent. The balance of 40 percent is made up of fixed changes primarily associated with debt services. Thus where operating costs increase by 30 percent, as it did over that period, rent need only go up 18 percent (30 percent of 60 percent). An analysis done by the Institute of Real Estate Management estimates that even with a utility cost increase of almost 81 percent between 1972 and 1975, gross operating costs increased by approximately 30 percent—a little higher for elevator buildings and somewhat lower for low-rise buildings—and gross rent over that same period increased by approximately 18 percent (exactly matching the level needed to maintain the financial stability of the survey projects).

It has been suggested that subsidized projects have different financial characteristics, particularly on the income side which restrict their ability to maintain financial viability. Income data for the lowest quintile of family income, however, shows that lower-income families tend to have their income grow at or slightly above the rate for a median income family (20 percent over the 1972 to 1975 period). A study done by the Urban Institute on a sample of sixty-six section 221(d)(3) projects shows that between 1972 and 1975 the mean rate of increase of rental income for these assisted housing projects was about \$4.20 per unit per month, while total operating expenses increased at a mean rate of \$4.00 per unit per month—meaning that for these projects as a group, their operating margin (i.e., net income)

increased during the worst part of the recent recession.

It is apparent, at least on an aggregate basis, that inflation per se may be less significant than is generally believed. That is not to say that some projects have not been adversely affected simply because of increases in the prices of goods and services or to say that some projects have not failed because the incomes of their tenants grew at lower

rates than for the population generally.

Another area which is often cited as a principal reason for failure is project location. A GAO study on the Section 236 program indicated that a relatively high proportion of its sample of failed projects was poorly located. By this GAO meant that the project was in an area of high minority of low income concentration or was situated in an area remote from shopping or other community facilities. However, a Congressional Budget Office study, employing multiple regression analysis on a sample of 50 projects selected at random from the inventory of defaulted assisted housing projects, demonstrated that the location of a project actually had very little to do with predicting its default. Such characteristics as concentration of minority populations, numbers of persons in households, project size, level of retail trade in the area and even family income in the area showed a very low level of correlation with the default of the projects.

It became clear, as the committee explored the problem, that the single most significant characteristic which distinguished a troubled project from one which was not troubled was the competence and ability of its management. The simple fact that 80 percent of all troubled assisted housing projects are owned (or sponsored) by persons who had no previous experience in the management of lower income housing and that rents in troubled projects exceed by as much as 150 percent the rents in unsubsidized projects located in the same

neighborhoods were quite telling in this regard.

What this analysis suggested to the committee was that a strategy designed to improve project management capability and effectiveness may well be the most effective approach for Congress and the Administration to take. The committee recognizes that management is not the sole solution to the problem of project failure. Some tenants even in well managed projects are unable to pay rents. It is, in part, for these very tenants that the Congress has authorized the Section 8 existing housing program. The committee shares the concern of the Administration, however, that Section 8 assistance not go to subsidize rents in projects which have wasteful and inefficient management, thus committing the Federal government to an exorbitant rent level for up to 15 years. On the other hand, the committee believes that where rent levels are within reasonable limits, where project management is sound and where individual tenants lack sufficient income to pay those rents, the Section 8 existing housing program should be employed.

In essence, the program being proposed by the committee is remedial in nature. It is intended to place a troubled project on the basis from which it can be, and will be, run efficiently and effectively. To do this the program provides a framework within which the department can discretely deal with the elements of financial failure which are attributable to ineffective and inefficient property management. This framework places tight limitations on both the Department and the projects concerned. These limitations and restrictions are essential in the committee's opinion to assure that the program not evolve into a long-term

project subsidy.

At the outset the committee has limited eligibility for assistance in the program to projects which receive assistance under the Section 236. Section 221 (d) (3) BMIR or rent supplement programs. Projects which received such assistance before being acquired by the Secretary and have subsequently been sold, pursuant to the agreement assuring continued occupancy by low- and moderate-income families and subject to an FHA mortgage, would also be eligible to receive assistance. There is, however, an additional limitation on projects in the latter category. If they are sold by the Secretary after October 1, 1978, they could only receive assistance for two years. The committee has imposed this additional limitation on assistance because it believes that the Secretary must assure, prior to any sale, that any project sold by the Department will be in a condition and will be managed in a manner which will place the project on a sound operational and financial basis. This has not been the case in the past. The committee did agree to permit assistance to a project sold after October 1 for up to two years since it recognizes that under certain limited circumstances projects may need such assistance during their initial rent-up phase.

The program would be further limited to those projects which would be able to satisfy the following determinations, which the Secretary

is required to make:

1. The Secretary would first have to determine that the assistance is necessary and will restore or maintain the financial soundness of the project and maintain the low- and moderate-income character of the project. In making this determination the Secretary would have to take into consideration other resources available to the project. The committee directs the Secretary to take all steps necessary to require owners of projects applying for assistance to make or pledge additional capital contributions prior to making assistance available. The committee, however, recognizes that nonprofit sponsors may have limited resources; thus, the Secretary should take care not to unduly burden them. In the case of State-aided projects, every effort should be made by the Secretary to encourage the States to become involved in assisting the project. In the absence of such State involvement, the Secretary should withhold assistance provided pursuant to this program.

2. The Secretary would also have to determine that the assistance which could reasonably be expected to be provided over the useful life of the project under this program would be less costly to the Federal Government than other reasonable alternatives and would still maintain the low- and moderate-income character of the project. This determination requires the Secretary to carefully weigh these alternatives on a case by case basis. If, for instance, the basic problem is one of deficiency of tenants' incomes, this program may well not be the most cost effective. Alternatively, the Secretary might find that foreclosure by bringing about a change in ownership, ownership form or a reduction in the debt service obligation would be a preferable approach. The committee, however, does not wish to imply that cost effectiveness is the sole criteria by which such a choice should be made. In determining which alternatives are reasonable, the Secretary should take into consideration the effects that any alternative has on the tenants, the neighborhood and the community, but she should not reject any alternative simply because it is more difficult administratively for the Department.

3. The Secretary would also be required to determine that the project is structurally sound. This determination must be made as a result of an on-site inspection of the project by qualified personnel. It is not the desire of the committee to permit the Secretary to subsidize proj-

ects which have structural defects.

4. and 5. The Secretary would also have to determine that the community in which the project is located has evidenced a commitment to provide essential services to the project in keeping with the community's general level of such services. In a similar vein, the Secretary would have to make a determination that the real estate taxes on the project are not greater than would be the case if the property were assessed according to the principles followed in the community for assessing nonsubsidized multifamily projects. Both of these determinations are designed to encourage communities to treat assisted housing projects equitably. A recent GAO study indicated that some communities have been overassessing assisted housing projects and that the additional taxes have contributed to the financial problems of

these projects. The Secretary should take the steps necessary to encourage the appeal of tax determinations which appear to unfairly

discriminate against any project insured by her.

6. The Secretary would also have to determine that the management on the project is being conducted by persons who meet minimum levels of competency and experience. The committee expects the Secretary to set guidelines to assist in making this determination. These guidelines should be set after a careful examination of successful property management companies and after consultation with industry groups.

7. Additionally, the Secretary would have to determine that the project is being operated and managed in accordance with a management-improvement and operating plan designed to reduce the operating costs of the project. This plan is an essential element of the program. It is intended to be a document which details the course of action that the project manager and owner intend to take to bring the project to a sound financial and operational level and it must be approved by the Secretary. One key element of this plan is the steps that management intends to take to upgrade the project to meet cost-effective energy-efficient standards prescribed by the Secretary. Very simply, these standards should be designed by the Secretary so that the project will be brought up to a level of energy efficiency beyond which the cost of an additional energy conserving improvement would not be amortizable out of the energy cost saving elicited by that improvement. The actual extent of the improvements would vary by climate, building size and type, energy costs and financing costs. The procedures necessary to establish such standards have already been developed by the National Bureau of Standards and have been employed by the Community Services Administration in their weatherization program. The committee does anticipate, however, that modifications to those procedures to make them suitable for larger multifamily projects may be necessary. The improvements needed to be made to meet the standards would be financable out of the resultant energy savings which should present a sound basis upon which the Secretary could provide section 241 loan insurance. The importance of energy conservation in these projects cannot be underestimated. The major cost pressure faced by project owners has been fuel and energy cost; through conservation these pressures can be mitigated.

8. The Secretary would also have to consult with local officials to determine whether assistance provided under this program would be consistent with local housing and community plans. This requirement is not intended by the committee to allow a community to veto assistance to a particular project. It is only meant to assure that the Secretary take into consideration the needs and desires of the community

when undertaking assistance to a project.

Once the enumerated determinations have been made, the Secretary would be permitted to make assistance payments for a variety of purposes. She could pay for deferred maintenance, including the replacement of equipment; she could fund deficiencies in the replacement reserves; and she could provide a general operating subsidy which would cover the operating deficit of the project. These expenditures are designed to first stabilize the project by restoring it physically and then restore it to operating health through the operating subsidies.

To assure that funds are being used in a way which will induce good management, the program contains the following additional requirements:

(1) The Secretary would be prevented from providing a subsidy for the amount of revenue lost to a project through vacancies and delinquencies that exceeds 6 percent of gross rent. During the first two years of any assistance, however, vacancies and delinquencies could exceed 6 percent. The committee recognizes that the recovery of financial health of a property, particularly one which has had high vacancy levels, does take time. The committee wishes to make it clear that the Secretary should view the 6 percent level as a ceiling, and it expects the Secretary to act to keep vacancies and delinquencies to their absolute minimum level.

(2) The Secretary would be required to make assistance payments no less frequently than quarterly and then only after being assured that the project was conforming to its management improvement and operating plan. The committee intends that the Department maintain close scrutiny of the project and carefully monitor its progress under the plan. The Secretary should, where a project has not conformed to its management-improvement and operating plan, withhold assistance payments until such conformance can be assured. The Secretary should also assure that the proceeds of any assistance payments are used to assist directly in the operation of the project and are not diverted for the personal or corporate use of the owner or manager. With this additional scrutiny and monitoring of the project by the Department the committee believes that the owner and manager will more carefuly control the operation of the project and that Federal assistance will thereby be kept to a minimum.

(3) The operating subsidy is predicated on the project's operating budget which would be required to be established by taking into consideration the costs of operating a well-managed project of similar type and size in the same area. By employing a standard of comparability a distinction can be made by the Department between a project which is being operated well but in which the tenants have insufficient income to pay the rents and a project which is being operated poorly. The Secretary, in determining the standard, should not only develop standards for the financial characteristics of the project but also for the physical and operational characteristics of the project,

including tenant relations.

(4) The committee has also limited the term of each contract for assistance to one year; in order to receive assistance for any subsequent year the project would have to adhere to the management-improvement and operating plan which the owner and the Secretary had agreed to. This provision is designed to assure that the project is making progress towards achieving the goals of the program before additional assistance is made available.

The committee has provided an authorization level of \$74 million for fiscal year 1979 and also made available, subject to appropriation, funds within the Section 236 reserve fund. These funds should be suf-

ficient to assist approximately 100,000 units.

The committee recognizes that this program will require extensive involvement by HUD personnel in the operation of a project. This in-

volvement, however, should strike a balance between the supervision necessary to assure proper management of the project and the need of the manager to flexibly deal with the day-to-day operation of the project. This will require a high level of sensitivity on the part of Department officials and the committee directs the Secretary to take every step to assure that the most qualified personnel possible are in-

volved in the supervision and operation of this program.

In the long run the solution to the troubled projects problem is one of prevention. The Department must, in the committee's opinion, examine very closely the procedures and standards which lead to the aproval of projects with inadequate management so that in the future the approval of such projects can be avoided. Additionally, the Secretary should develop a systematic approach of any potential difficulty. It is the committee's understanding that a system to accomplish this task is currently under development and it encourages the Secretary

to implement that system as promptly as possible.

The committee is cognizant of the fact that this program deals exclusively with the assisted houing programs, even though similar problems exist within the nonsubsidized insurance programs. For example, section 207, the principal unsubsidized insurance program, by the end of 1977 had seen almost 19 percent of its units go into foreclosure or assignment. The committee chose to address the problems of the assisted housing programs first since the consequences of failure are not solely limited to financial loss. The committee, however, continues to be concerned about the unsubsidized projects and directs the Secretary to make recommendations in time for legislative consideration next year on how best to minimize the losses incurred through failure of these projects.

HOUSING FOR THE ELDERLY AND THE HANDICAPPED

In order to assure that the needs of the non-elderly handicapped are better served, increase the overall effectiveness of the section 202 program, and to assure that representatives of communities in which section 202 projects are located have a significant role in the operation of assisted projects, the committee has made four changes in

the authorizing legislation for this program.

First, the committee has provided that for fiscal year 1979 the Department shall make available at least \$50,000,000 in loans for projects specifically designed to meet the needs of non-elderly handicapped persons. In selecting these projects the Department is directed to identify those proposals which support innovative methods of serving these needs, including assurance of the availability of a range of necessary services and maximum access to the community at large. The committee believes that more emphasis must be placed on developing smaller and less institutionalized developments and on the availability of support services tailored specifically to the handicapped, especially efforts to help them enter the job market. The committee anticipates that this earmarking will enhance HUD's efforts to remove barriers that prevent handicapped persons and their families from participating more fully in normal activities. The committee urges the Secretary to insure that in the provision of services within these projects

coordination with other Federal departments, particularly the Departments of Health, Education, and Welfare and Transportation is

maximized.

Section 202(b) of the bill eliminates the existing requirement that the limitation on aggregate lending under the section 202 program be established on a fiscal year basis. This limitation has meant that any authority to make loans which has not been used by the end of a particular fiscal year would lapse. This has caused innecessary administrative difficulties in the section 202 program. An arbitrary end-of-year deadline for making approvals places severe burdens on HUD personnel and prospective sponsors and may lead either to the rejection of otherwise worthy applications or hasty approval of less complete applications. This change is designed to provide the Department more flexibility in its processing.

The committee has expanded the term "development cost" to allow for the inclusion of moveable furnishings and equipment necessary to the basic operation of the project as eligible items to be paid for from section 202 loan proceeds. The cost of these moveable items, which include tables, chairs, and dining ware now must be absorbed by the nonprofit sponsors. It is the committee's intent that loan amounts not be increased as a result of the amendment, but rather that these items be included by the Department as allowable uses of amounts now available to sponsors within their allowances to make projects

operational.

The committee was also concerned that the views of the community in which a section 202 project is located be represented in a significant way in the governing board of the entity which is responsible for the operation of the project. Accordingly, the definition of "corporation" eligible to receive a loan under this section was revised to provide that an eligible corporation must have a governing board responsible for the operation of this specific project whose membership has been selected in a manner which assures that there is significant representation of the views of the particular community in which the project is located and not solely the views of an organization or sponsor whose scope of interest extends beyond this particular community.

The committee is also concerned about the potential difficulties involved in the Department's current policy of providing allocations to its area offices and permitting these offices to suballocate these available section 202 funds to smaller markets. It is the intent of the committee, that in interpreting section 213(d) of the Housing and Community Development Act of 1974, HUD not be required to suballocate 202 funds below the area office level and that HUD carefully monitor project size and applications to insure a feasible level to provide hous-

ing plus related facilities.

LOWER-INCOME HOUSING

Authorization

The bill would anthorize for fiscal year 1978 an appropriation of \$1,195,043.000 for the public housing and section 8 housing assistance payments. This is adequate to support an estimated 380,000 to 400,000 section 8 and public housing unit reservations. The committee believes

that this funding level could also accommodate an increase in the budget allocation for the modernization of public housing projects. As the Secretary has recognized by renewing Department efforts to modernize and improve the operations of the most distressed public housing projects, continued and sometimes substantial improvements must be made to existing projects if their useful lives are to be extended.

The bill would also eliminate the set-asides established in existing law for public housing modernization funds, for section 8 contract authority for state financed low income housing projects and for section 202 housing projects for low-income elderly and handicapped persons. The committee recognizes that under these set-asides restrictions were placed on the use of these funds which caused complications in program administration and accounting, created great difficulty in allocating and reserving funds consistent with the "fair share" mandate of section 213(d) of the Housing and Community Development Act of 1974, and limited flexibility at the local level. The committee does not intend that any group of low-income housing sponsors be put at a disadvantage by the elimination of these statutory set-asides. The amendment is designed to give the Department greater flexibility to respond to community needs as expressed in their housing assistance plans.

The committee expects that the Secretary will examine the relationship between the 213 allocation formula, the method presently used to distribute housing assistance funds and community needs as expressed in their HAPs in order to make recommendations to the Congress on changes that will be necessary to make the allocation con-

sistent with those specified needs.

The committee also expects that the Secretary will turn her attention to resolving the problems that have occurred when section 8 funds are tied up for an unreasonable period of time in reservations that will never result in the actual construction of housing for low- and mod-

erate-income persons.

The committee appreciates that the Secretary has started to address the serious problems that have existed due to a lack of consistent-quality control in the processing, underwriting and construction of many multifamily projects approved for insurance or assistance. In the long term, more careful departmental review will produce a higher quality of construction and management so that more housing will be permanently available to low- and moderate-income persons.

The committee has provided that the Department must distribute its housing assistance funds, to the extent practicable, in accordance with the local housing assistance plans required in the Community Develop-

ment Block Grant program.

The committee is concerned that adequate linkages may not yet exist between the section 8 and community development programs. In part this may be the result of confusion which exists within communities and public agencies and the Department with respect to the use of the terms "existing" and "substantial rehabilitation" in the section 8 program and the use of the terms "existing" and "rehabilitation" in the housing assistance plans required in the Community Development Block Grant Program. The Secretary is therefore directed to recommend to the Congress, as part of the Department's legislative

proposals for next year, suggestions for clarifying the terms "existing", "rehabilitation" and "substantial rehabilitation" so as to provide that the housing assistance plans clearly identify the type and range of rehabilitation desired so that the Department, through the section 8 program, can best provide the appropriate housing assistance.

Section 8 Eviction Procedures

In amending the eviction procedures which a landlord participating in an existing section 8 program must follow, the committee is codifying existing practices and wishes to make clear that by participating in this program, the owner is not waiving his right to evict recalcitrant tenants. The committee shares the concerns of both landlords who need to protect their property interests and tenants whose own interests deserve fair treatment. For these reasons, the committee provides landlords the right to give notice to vacate, subject to review by the local public housing agency, prior to proceeding under state and local law. Varying levels of involvement and review by the public housing agency are contemplated, depending upon the adequacy of state and local law. Where the Secretary determines that state and local law is not adequate to protect tenant interests, a public housing agency may establish an informal procedure so that by arbitrating between landlords and tenants, arbitrary evictions may be avoided and disputes may be resolved.

Housing Displacement

The committee's concern about the problem of displacement of lower income families through federally-related housing activity has grown with the expansion of the section 8 program. The committee believes that the Secretary, in administering the section 8 program, should continue efforts to minimize the displacement of persons from their homes and neighborhoods In this regard, the Secretary should give preference to proposed section8 projects which will not result in such displacement. In the event that displacement cannot reasonably be avoided, the Secretary should seek to assure that suitable and affordable alternative housing is available to those persons displaced, preferably in the same neighborhood, but, if not, within at least an equivalent neighborhood. The Secretary should, to the extent feasible, also establish a priority for displaced low income persons to participate in Federal housing assistance programs.

Section 8 Substantial Rehabilitation

The committee wishes to make clear its view that various levels of rehabilitation, ranging from so-called "gut" rehabilitation to more modest levels should be undertaken and assisted through the section 8 substantial rehabilitation program. It is concerned about the present high costs of rehabilitating and of operating those assisted units. The committee believes that two factors contribute to the high cost of rehabilitation:

(1) most contracts for substantial rehabilitation involve structures which need "gut" rehabilitation instead of major, but less extensive, renovation; and

(2) there are instances of "overbuilding" in which unnecessary and needlessly costly improvements are made.

With the new subsection 8(i), the committee intends to encourage the Department to provide for varying degrees of substantial rehabilitation and to reduce the costs associated with the substantial rehabilitation program. The Department may still enter into contracts for rehabilitated units subject to the same restrictions on rents and terms as are applicable to contracts for newly constructed units. The committee wishes to make clear, however, that the Department should also explore methods to encourage less extensive rehabilitation, which would produce lower unit costs and rents. Specifically, in establishing maximum monthly rents, the Secretary should consider the investment of the owner, in addition to the factors normally considered. The Secretary is also directed to insure that assisted units are rehabilitated to levels required by and not in excess of applicable codes and other standards which the Secretary, in her discretion, establishes for decent, safe and sanitary housing, and further to assure that all the units in a structure which receive assistance are brought to this level. The provision would prohibit frivolous, unnecessarily costly or otherwise excessive rehabilitation or improvement, but not improvements which assure marketability and preserve the remaining useful life of the dwelling units.

As evidenced also in other sections of this bill, particularly with respect to the expanded section 312 rehabilitation loan program and the revised section 203(k) insurance program, the committee is concerned that assisted or insured units meet cost-efficient energy standards and specifically includes this as a requirement of the section 8 substantial rehabilitation program. This provision is particularly important in relation to the operating costs of units in which low and moderate income persons will live because effective energy conservation measures will significantly lower the energy costs of those units.

In addition, the committee believes that costs associated with the entire section 8 program may be excessive because of the method by which fair market rents are established. The committee has directed the Secretary to consider the level of an owners' investment in establishing rents in the substantial rehabilitation program. In addition, the Secretary should (1) consider and report to the committee her evalnation of the feasibility of adopting a cost-basis approach to establishing maximum rent levels in all section 8 programs, and (2) consider testing the feasibility of establishing such rents on a geographic basis narrower than a multi-county basis, in those parts of the country where smaller market areas can be ascertained and where doing so may result in lowering the overall costs of the program. Finally, the committee is concerned that little progress has been made on the badly needed simplification of the section 8 regulations. The present regulations considerably inhibit participation by prospective owners and developers and the committee, therefore, urges that this simplification process be substantially accelerated.

Section 8 Assistance for Low and Moderate Income Mobile Home
Owners

The bill would amend the section 8 program to provide assistance to low income mobile home owners who rent the lot on which their mobile home is located. According to the Annual Housing Survey for 1976, almost 1.5 million households who own mobile homes have incomes

less than \$10,000 annually and almost a half million have incomes under \$5,000 and 63 percent of all mobile home owners rent the lot on which their home is located. Almost half a million such households pay more than 25 percent of their income for housing costs while 225,000 of those households pay more than 35 percent of their income for housing and 100,000 pay more than 50 percent of their income for housing. The data also suggest that a significant number of people over 65 living on fixed incomes, own and live in mobile homes. In many cases a mobile home is the most reasonably priced housing available in the com-

munity.

Since section 8 assistance is presently available to mobile home renters, the committee believes it is equitable to extend similar assistance for the rental costs faced by low and moderate income mobile home owners. This bill would direct the Secretary of HUD to establish maximum fair market monthly rents for the lot on which a mobile home is located. In setting those rents, the Secretary should consider maintenance, management and utility costs which would be reasonable, given the market area standard for modest mobile home parks. Where eligible mobile home owners pay their own utilities, the fair market rents should be adjusted to treat them equitably. The maximum amount of assistance paid on behalf of any eligible family in any month would be the difference between 25 percent of the family's monthly income and the sum of the monthly payment made by the family to amortize the cost of purchasing their mobile home a reasonable allowance for utilities and the fair market rent established by the Secretary, except that in no case could the assistance exceed the fair market rent. The Secretary should consider setting standards on the level of amortization costs which a family could include for purposes of calculating the level of assistance. The committee does not wish to encourage a family to over extend themselves in purchasing a mobile home in expectation of Federal assistance.

Public Housing Operating Subsidies

In addition, the bill would provide an additional authorization of not to exceed \$729 million in fiscal year 1979 for operating subsidies for public housing projects. The operating subsidy requirements for each project are calculated based upon the use of the Performance Funding System (PFS) formula. The PFS formula is used to calculate an appropriate subsidy level for each Public Housing Agency based on a rate comparable to what it would cost a well-managed PHA of comparable size, location and characteristics to operate its owned units. To determine the allowable expense level for each PHA individually, data for each PHA are applied to this formula and an estimate of the expense level at which each PHA should and can operate is thereby established. An additional \$12 million is included in the total authorized amount for an interim appeals fund which will be used to assist PHAs, primarily in older urban areas, whose high security and insurance costs cannot be adequately accounted for by the current performance funding formula.

The committee is concerned about the extent of crime and vandalism that plagues many public housing projects. In many cases the problem has become so severe that families refuse to move into the projects while others, particularly elderly residents, are afraid to leave their apartments after nightfall. The committee is pleased that the Department has initiated a \$5 million demonstration program designed to test a variety of approaches to improving security in different types of public housing settings. The results of this study should be able to give HUD and the committee useful information on the kinds of hardware and security services that could best be combined to

lessen the crime problem in many housing projects.

The \$5 million demonstration is only part of the total amount HUD has available to address this problem. At present funds from various sources may be used for security purposes: public housing modernization funds; public housing operating subsidies; and the proposed \$12 million operating subsidy appeals fund. In addition to using funds from HUD some public housing agencies have received grants under the Comprehensive Employment and Training Act (CETA) and from the Law Enforcement Assistance Administration (LEAA) to train and hire security personnel. The committee expects that at the expiration of the security demonstration program a report will be issued which among other findings will include a review of the extent to which funds for security purposes are available from sources other than HUD and recommendations regarding ways these funds could be coordinated with HUD funds so that the public housing projects may best be served.

TITLE III—PROGRAM AMENDMENTS AND EXTENSIONS

EXTENSION OF FHA MORTGAGE INSURANCE PROGRAM

The committee is extending for one year the authority of the Secretary to insure mortgages or loans under certain HUD-FHA mortgage or loan insurance programs contained in the National Housing Act.

Under existing law, the authority of the Secretary to insure mortgages and loans under these programs will expire on September 30, 1978. After that date, the Secretary may not insure mortgages or loans under any of the major HUD-FHA insuring authorities contained in that Act except pursuant to a commitment to insure issued before that date.

Insuring authorities which will expire on September 30, 1978 include those for the following HUD-FHA mortgage or loan insurance programs: title I—property improvement and mobile home loan insurance; section 203—basic home mortgage insurance; section 207—rental housing insurance; section 213—cooperative housing insurance; section 220—rehabilitation and neighborhood conservation housing insurance; section 221—housing for moderate income and displaced families; section 222—mortgage insurance for servicemen; section 223—miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects; section 231—housing for the elderly; section 232—nursing homes; section 233—experimental housing; section 234—condominiums; section 235—homeownership for lower income families; section 236—rental and cooperative housing for lower income families; section 237—special mortgagors; section 240—homeowner purchases of fee simple

title; section 241—supplemental loans for multifamily housing projects; section 242—hospitals; section 243—homeownership for middle-income families; section 244—mortgage insurance on a co-insurance basis; section 245—mortgage insurance on a experimental basis; title VII—armed forces related housing; title X—land development; and title XI—group practice facilities.

The one-year extension of these mortgage insuring authorities is designed to assure the continued availability of FHA mortgage insurance while the committee continues its examination of the FHA

insurance programs.

EXTENSON OF FLEXIBLE INTEREST RATE AUTHORITY

The committee approved an extension, through September 30, 1979, of the Secretary's authority administratively to set interest rates for FHA-insured mortgage loans to meet the market at rates above the statutory maximum. Under existing law, this authority to set rates above the statutory 6 percent maximum will expire on September 30, 1978.

EXTENSION OF EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

The bill would extend, from October 1, 1978, to October 1, 1979, the authority of the Government National Mortgage Association to enter into new commitments to purchase mortgages under the interim mortgage purchase authority contained in section 313 of the National Housing Act, as added by the Emergency Home Purchase

Assistance Act of 1974.

The Emergency Home Purchase Assistance Act of 1974 added section 313 to the National Housing Act authorizing interim or standby authority to purchase mortgages. This authority is subject to a finding by the Secretary that inflationary conditions and related governmental actions or other economic conditions are having a severely disproportionate effect on the housing industry and that a resulting reduction in the volume of home construction or acquisition seriously threatens to affect the economy and to delay the orderly achievement of national goals. The purchase authority also must be released in appropriation acts. This extension would maintain this standby authority for an additional year.

COMPREHENSIVE PLANNING

The bill would authorize for fiscal year 1979 an appropriation of \$65 million for the section 701 Comprehensive Planning Grant Program. The committee also adopted several amendments designed to

improve the operation of the program.

The Community Development Block Grant Program under title I of the Housing and Community Development Act of 1974 requires that communities develop community development strategies and housing assistance plans every three years. The current biennial review requirement for 701 plans makes it difficult to link it to the CDBG strategies and housing plans. A three-year requirement, as provided for in the bill, would facilitate the development of local, areawide, and state strategies that would be consistent with each other and encourage

the development of local community development strategies and Housing Assistance Plans which are better coordinated on an areawide and statewide basis.

The committee adopted an amendment which would apply the definition of "Indian tribal group or body" currently contained in title I of the Housing and Community Development Act of 1974 and in various other Federal statutes to the section 701 Comprehensive Planning Program. Section 701, as now enacted, does not expressly define "Indian tribal group or body." The current administrative definition for Indian Tribes is based upon language contained in the Senate committee report on the Housing and Community Development Act of 1974, and has disqualified many tribes in Oklahoma and other States.

RESEARCH AUTHORIZATION

The bill would authorize \$62,000,000 for the fiscal year 1979 appropriation for HUD research, study and demonstration. Even though the committee has separately authorized funding for the neighborhood housing services program, it believes that the Department will require the full research anthorization to undertake, in addition to its planned research, study and demonstraton activities, several specific projects of particular urgency. The committee is pleased by the progress that the Secretary has made in improving the research activities of the Department and believes that these additional funds will be usefully em-

ployed.

The committee recognizes that a considerable amount of funds will be required for the demonstration provided in section 305(b) of the bill. This demonstration is designed to determine the feasibility of converting multifamily rental housing developments to cooperative or condominium ownership as a means of encouraging and expanding homeownership opportunities in urban areas. This demonstration is expected to be undertaken in both large and small communities with various types of housing projects. The Secretary, in conducting the demonstration, should consider transferring the properties not only to State and local governments, but also to public and private nonprofit groups, including neighborhood organizations and condominium or cooperative associations. The committee would also expect the Secretary to give preference, in the selection of participating communities, to those which promise coordinated conservation efforts and necessary public services and encourage related private investment. The Secretary should also seek to minimize the displacement of persons in occupancy at the time the property is transferred. In this regard, the Secretary should consider providing an opportunity to these persons to participate in the conversion of the property to condominium or cooperative housing so that they could own their own apartment.

The committee recognizes that cities of all sizes are becoming increasingly complex to run. This complexity is both an outgrowth of the expanding requirements imposed by other levels of government and the increasing demands and expectations of the residents of the communities. This complexity has affected all areas of city management from program administration and planning to financial control. The committee is concerned that as the responsibilities of local govern-

ments have expanded, their capacity to adapt to and fulfill those responsibilities may not have expanded as rapidly. It, therefore, directs the Secretary to undertake a comprehensive review of the capacity of local government to fulfill its broad range of responsibilities. The committee would recommend that the Secretary not limit this examination to the capacity of local government to carry out federally assisted programs, but also to examine its ability to carry out its own local responsibilities as well. The Secretary should, as a result of this examination, develop recommendations on the actions which the Federal Government might take to assist local communities effectively and efficiently undertake their responsibilities. The Secretary should report these recommendations to Congress no later than February 1, 1979.

The committee has adopted an amendment which calls upon the Department to study the feasibility of underground housing and to determine what changes may be necessary in housing codes and financing to facilitate the adoption of this mode of housing construction. The committee is aware that the Department is already undertaking a study of this subject and anticipates that the Secretary would base the

required preliminary report to Congress upon that study.

The subject of neighborhoods and individual communities within cities and towns has been before the committee for the past few years. This committee has enacted previous legislation which set up a National Commission on Neighborhoods, which will be reporting to the Congress by the end of this year, and has provided for the establishment of a Neighborhood Reinvestment Corporation, which would provide for a more formalized and long-term effort to assist neighborhood housing services corporations throughout the country. The fabric of neighborhoods within a larger urban environment is both complex and fragile. Past experience has shown that government intervention can both strengthen and destroy a community or a particular neighborhood. Although there have been many studies on this subject of neighborhoods, there is a great need to consolidate and classify what is known about neighborhoods in such a manner that government agencies will have an acceptable method for judging a neighborhood's stability and needs. Therefore, the committee suggests that the Department, through its research authority, consider the development of a neighborhood or community index would attempt to classify the characteristics of a neighborhood in such a way that implementors of public policies and programs at the Federal, State and local levels can agree on the methodology of determining the need for and specific types of governmental assistance. Such an index could be developed in conjunction with a number of participating communities.

NEW COMMUNITIES

The bill would provide an extension of one year, to October 1, 1979, the Secretary's authority to make special planning assistance grants to private new community developers and state land development agencies for planning new communities. In providing this extension of authority the committee urges the Secretary to make every effort to assure that grants to troubled projects receiving federal new community

development assistance are employed to develop realistic plans for the most economical disposition of these projects and are designed to limit the further exposure of the Federal Government. In addition, any grants made under this provision to future new community development projects should be for plans which include realistic economic and market analyses and provide cost effective development alternatives that reveal the total Federal Government exposure at different levels of development, taking into account the marginal costs and the margin benefits at each such level.

URBAN INSURANCE

Authorizations

The authority of the Secretary of HUD to provide continuation of riot reinsurance coverage and new federal crime insurance would be

extended from September 30, 1978, to September 30, 1979.

Continuation of these programs will assure availability of adequate property and crime insurance coverage particularly in urban areas, where such coverage would otherwise be unavailable in the voluntary insurance market at an affordable cost. In addition, many of the FAIR Plans making property reinsurance available in urban centers are statutorily linked to continuation of Federal riot reinsurance, and participation by insurers in the FAIR Plans is a condition to the availability of riot reinsurance.

There will be no increased cost to the Government in extending these programs. Taken together, they are financially self-sufficient as the reinsurance premiums generated by the riot reinsurance program and investment income from the National Insurance Development Fund are more than ample to cover the costs of operating the programs.

The bill would also extend from September 30, 1981, to September 30, 1982, the authority of the Secretary of HUD to continue existing reinsurance and direct insurance coverages, and from September 30, 1978, to September 30, 1979, the date on which the Secretary should submit to the Congress a plan for the liquidation and termination of the crime insurance and riot reinsurance programs.

FAIR Plan Premiums

In attempting to provide for the availability of essential lines of property insurance in urban areas of the country, the Congress enacted the Urban Property Protection and Reinsurance Act of 1968 as part of the Housing and Urban Development Act of that year, Public Law 90-448. In establishing this program, the Congress declared "that essential lines of property insurance, including lines providing protection against riot and civil commotion will be available to property owners at reasonable costs." The Urban Property Protection and Urban Reinsurance Act sought to utilize the private insurance industry and the state insurance regulatory authorities backed up by Federal reinsurance, in a program to make essential lines of property insurance available to those people living in urban areas who were unable to obtain adequate coverage. It was left up to each individual state to decide whether to participate in such an urban insurance program. Each state had to enact its own enabling legislation setting up a statewide FAIR Plan (Fair Access to Insurance Requirements). Under these state FAIR Plans, all insurance companies writing lines of property insurance within the state would participate in making essential fire and extended coverage lines available where private companies were no longer providing this essential coverage. It was expected that the pooling arrangements involved in the state FAIR Plans, along with the backup of federal reinsurance would not only make adequate lines of property insurance available, but also at reasonable costs to the property owner.

In New York State's FAIR Plan, the premiums on the policies being offered were "self-rated." This technique of calculating premiums is one based on the loss experience of only those policies insured under the state FAIR Plan. After the urban riots of the late 1960's and early 1970's, the property insurance companies withdrew coverage from major urban areas thereby putting the major burden of urban

property insurance coverage under FAIR Plans.

In 1972 the volume of premiums written under the New York State FAIR Plan totalled \$115,979,000. By 1976, the volume of premiums written had fallen by over 50 percent to a level of \$56,470,000. The major consequence of this depopulation of the FAIR Plan policies has been an increasingly adverse underwriting result for the remaining FAIR Plans policies, because of the higher average loss potential. Beginning in 1974–1975, New York State FAIR Plans began selling off large numbers of policies to private carriers, greatly reducing the number of FAIR Plan policies written. Since the premiums on FAIR Plan policies in New York State were calculated on a self-rating basis, the premiums began to rise dramatically. By late 1976 and into 1977, FAIR Plan policy premiums in New York State were, in some cases, four and five times greater than similar property insurance coverage in the same cities. During its consideration of the Housing and Community Development Act of 1977, this matter was brought to the attention of the Congress by Congresswoman Elizabeth Holtzman of New York. An amendment was offered during the floor consideration of the 1977 Act by Congresswoman Holtzman which sought to prohibit this practice of self-rating in the New York State FAIR Plans. The House adopted Ms. Holtzman's amendment, but the conferees on this bill rejected the amendment and directed the Administration to report back to the Congress by January of 1978 with recommendations as to how this situation might be remedied. As of this date, there has been no response from the Administration to this Congressional directive, so the committee agreed to the provisions contained in section 307(b) of H.R. 12433, which would require that as of January 31, 1979, no risk covered by a statewide FAIR Plan shall be insured at a rate higher than that set by the principal Statelicensed rating organization for essential property insurance in the voluntary market. Where charges for substandard physical conditions within the control of the person applying for insurance are set by the State-licensed insuranced rating organization for the voluntary market, those charges may be applied in a non-discriminatory manner to similar conditions existing for a risk covered by a statewide

During the committee's consideration of this provision, it was pointed out that New York State was the only State that calculated

FAIR Plan premiums by self rating, and that FAIR Plan rates in excess of those in the voluntary market applied only to the New York State situation. While it is true that New York State is the only State FAIR Plan that self rates its policies, there are currently 9 other states in which FAIR Plan premiums exceed those in the voluntary insurance market. Those states are Connecticut, Delaware, Illinois, Iowa, Kansas, Minnesota, Missouri, Virginia, and Wisconsin. It is the committee's position that excessive premium rates are a deterrent to the

availability of essential property insurance to owners.

It has been brought to the attention of the committee that there is again developing a serious problem concerning the lack of availability of adequate lines of property insurance. Property owners in suburban communities are finding themselves faced with purchasing FAIR Plan policies because many property insurance companies do not wish to continue providing coverage. The insurance provided under FAIR Plans is not the broad coverage that most homeowners are familiar with. These policies provide only fire and extended coverage and not burglary, theft, and liability coverage available under the much broader homeownership policies, and increasingly the FAIR Plan premiums are more expensive than the broader coverage provided for under normal homeownership policies. The committee found itself faced with a situation where many property owners were paying excessive premiums on properties insured under the FAIR Plan, which the federal government backed with a reinsurance facility, at a time when similar properties with more extensive coverage were paying premiums at a lesser rate. It is the committee's opinion that FAIR Plan rates should not exceed those in the voluntary market.

FAIR Plan Advisory Boards

The committee bill contains a provision to require that one-third of the voting members of governing and advisory boards and committees for each State FAIR Plan be persons other than individuals employed in or affiliated with the insurance industry. The committee believes that this provision represents an important assertion of the principal of public participation in a federally-assisted program.

FLOOD INSURANCE

The authority of the Secretary of HUD to enter into new flood insurance contracts under the National Flood Insurance Program would be extended from September 30, 1978, to September 30, 1979.

Under current law, authority to enter into new contracts will expire on September 30, 1978. The availability of coverage at a reasonable cost is a necessary incentive to adoption of adequate flood-plain management and flood control measures and to encouraging prudent lending practices by federally regulated lenders and Federal agencies. Provision of flood insurance through the private sector will not be realized, if at all, until loss mitigation has been substantially accomplished through the flood-plain management requirements of the Act and the flood elevation rate maps necessary for actuarial ratemaking for flood insurance have been completed. This will not have been accomplished by September 30, 1978, and if the expiration date is not extended, the objectives of the program could not be met.

The Secretary's authority to provide subsidized flood insurance under the "emergency program" in communities which have adopted minimum flood plain management measures and for which the necessary actuarial rate and flood hazard elevation studies have not yet been completed, and would be extended from September 30, 1978, to

September 30, 1979.

Under current law, this emergency authority will expire on September 30, 1978. The extension is necessary for the continued availability of the benefits of federally subsidized flood insurance in communities identified as areas of special flood hazard but for which the more precise rate maps necessary for conversion to the regular flood insurance program have not yet been completed. There is no possibility of completion of final rate maps for flood-prone communities by September 30, 1978, and Section 1360(a) (2) of the Act requires their completion only by August 1, 1983. Provision of the subsidized rates is conditioned upon a community's having adopted at least minimal standards for flood-plain management. Failure to extend the authority in this regard would constitute a breach of faith by removing availability of needed flood insurance protection from approximately 15,700 participating communities, and result in a loss of important incentives for localities to adopt measures against unsafe new construction in areas of special flood hazard.

The bill would authorize the appropriation of not to exceed \$114 million for fiscal year 1979, for flood insurance studies and surveys

under the National Flood Insurance Act.

Present law authorizes appropriations for these studies only through fiscal year 1978. The proposed amount will permit the program to remain on its current schedule and to initiate flood insurance studies during 1979. As of September 30, 1978, studies will have been completed for only 3550 of the approximately 19,000 flood-prone communities which must be studied. The proposal would enable the Federal Insurance Administration to initiate approximately 1,893 studies in 1979.

Prior to January 1, 1978 the Federal flood insurance program was operated as a joint government/industry partnership under Part A of the National Flood Insurance Act of 1968. On January 1, 1978 the program was converted to a Part B program which brought the opera-

tion of the program under total Federal control.

The committee wants to be sure that the flood insurance program will continue to operate smoothly and efficiently under this new system, and that to the extent possible, it will be consistent with the Congressional Budget and Impoundment Control Act of 1974, which seeks to make all expenditures of Federal funds subject to the appropriation's process. To assist the committee in these efforts, the Federal Insurance Administration of the Department of Housing and Urban Development has agreed to provide quarterly reports to the committee which will detail the operation of the program and the costs involved. In addition, the committee expects to work with the Federal Insurance Administration to determine if there is a feasible way for making expenditures from the National Flood Insurance Fund subject to appropriation Act approval, in a manner nondetrimental to the program's operations.

MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS REPORT

The committee has revised the requirements for reporting by HUD on mobile home safety standards. This amendment will permit the Department to assemble the necessary statistical data in a manner consistent with industry reporting and publishing practices and HUD's program operations.

MULTIFAMILY MORTGAGE INSURANCE

Section 207 Mortgage Insurance

Present statutory authority for the FHA's basic rental insurance program, section 207, is limited to structures containing eight or more units. The committee's proposal reduces this threshold to five units and would close the gap between HUD's basic single family which covers structures of one-to-four dwelling units and this multifamily insurance program. It would also bring this section into conformity with the provisions of the other major multifamily insurance programs under sections 220, 221(d)(3), and 221(d)(4) of the National Housing Act. In conjunction with the refinancing provisions of section 223(f) enacted by the Congress in 1974, the amendment would enhance efforts at neighborhood and property preservation and stabilization by permitting HUD insurance of five-, six-, and seven-unit rental properties, which are currently ineligible for insurance under section 223(f), since projects under that program are insured by HUD in accordance with section 207.

Supplemental Loan

The committee would also authorize the Secretary of HUD to bid a higher amount than the value of the supplemental loan insured under section 241, at foreclosure sales of properties covered by senior non-

FHA-insured mortgages.

HUD has yet to implement subsection 241(d) of the Supplemental Loan Program, a provision enacted in 1974, which authorizes FHA insurance of a junior mortgage on projects subject to an existing conventional uninsured mortgage. The reason for this inaction by HUD has been the apparent lack of explicit statutory authority to bid at foreclosure sales an amount necessary to protect HUD's security interest in the mortgaged property. Accordingly, in those instances where the Secretary estimates that the ultimate sale proceeds to the government from future disposition of the property would at least equal the costs of acquisition and managing the property prior to sale, extinguishing all claims, and paying the section 241 insurance claim, the Secretary would be authorized to bid an amount up to, but not in excess of, the total unpaid indebtedness secured by the senior mortgage plus taxes, insurance, foreclosure costs, fees and other expenses. If the Secretary acquires title to or is assigned a loan covering a project subject to a non-FHA-insured mortgage, the Secretary would be authorized to make payments from the General Insurance Fund and take such other steps as may be deemed appropriate to preserve or protect the Secretary's interest in the property.

The committee expects that this clarification will result in the Department's far more aggressive encouragement of the use of its exist-

ing authority under section 241 as a vehicle for financing energy conserving improvements in both FHA-insured and conventionally-financed facilities.

MORTGAGE INSURANCE FOR NONRESIDENT CARE FACILITIES

The committee proposes a modest expansion of HUD's authority to insure mortgages on nursing homes and intermediate care facilities to include facilities appropriate for the nonresident care of senior citizens and others who are able to live independently but who require

care during the day.

Existing legislation prohibits elderly day care facilities because of the requirement that care provided by such facilities be "continnous." The committee believes that the concept of elderly day care could avoid or delay the institutionalization of many persons. The elderly who are living outside of insured facilities could, together with residents of these facilities, receive the benefits of therapy and recreation during the day, but would return to their homes in the evening. This would reduce the cost of caring for these noninstitutionalized individuals and would also provide them with an important social outlet. In promulgating regulations to implement this legislation, the Secretary is directed to place appropriate limits on how much space section 232 nursing homes and intermediate care facilities could devote to such day care and assure that, to the maximum extent practicable, such facilities be the same ones being used to provide daytime activities for residents and be supported by reasonable charges for ont-patient services.

CONDOMINIUM MORTGAGE INSURANCE

The committee recognizes that condominiums have become an increasingly important vehicle for providing privately-owned dwelling units. The FHA has played an important role both as an innovator and as an insurer, encouraging the growth of mortgage credit availability in new and unfamiliar areas. In recent years the authority of the FHA to insure one-family units in multifamily condominium projects has been expanded by the Congress in response to growing consumer needs and to the refinement of the condominium concept. The amendment included in this bill would offer the opportunity for another important step in this history.

The committee bill would expand the existing condominium mortgage insurance program to meet the needs of a significant group that existing programs do not serve—condominium owners and prospective owners who are unable to sell or purchase units because they are located in large projects or developments where the original project lenders have stopped making loans and where other lenders are reluctant to make loans. Lenders other than the original lender tend not to make loans because they are unfamiliar with and find it difficult

to process the complex condominium project documents.

The committee bill would anthorize the Secretary to insure singlefamily condominium units in non-FHA-insured multifamily projects or developments containing 12 or more units in, and only in, situations where construction of the projects was completed more than one year prior to the application for mortgage insurance. Under present law, FHA mortgage insurance is available for sinlge-family condominium units only where the project or development in which the unit is located is or was initially covered by an FHA project mortgage or

where the project or development contains 11 or fewer units.

It is the intent of the committee that this expanded authority be utilized to facilitate resales in structures which have been constructed or converted to condominiums. As has been indicated elsewhere in this report, the committee is concerned about the problem of displacement of low- and moderate-income families through federally-related housing activity. The committee believes that the Secretary, in implementing this expansion of the condominium insurance program, should take care not to encourage prospective conversions of multi-unit structures which will result in such displacement.

The committee expects that this expanded program will be actuarially sound with salaries and other expenses absorbed by user fees. The committee recognizes that this expansion will place substantial demands on the FHA field and central office staff. The Secretary should assure that personnel are adequately trained and that procedures and standards are established and met which minimize the risk of loss to

the FHA insurance fund.

An additional amendment would permit the FHA to insure up to 100 percent of the first \$25,000 of the appraised value of a condominium when the mortgagor is a veteran. This change brings the condominium insurance program into conformity with section 203(b), the basic FHA home mortgage insurance program, which provides for lower downpayments for veterans of the armed services.

FHA—GENERAL INSURANCE FUND

The committee has provided an authorization for appropriations of \$165 million for the General Insurance Fund rather than the open-ended authorization requested by the Administration. This authorization is necessary to permit restoration to the Fund of losses which are unable to be met out of Fund income, and to thereby avoid insolvency of the fund.

The committee was alarmed by the results of the recent audit by the Comptroller General of this and the other FHA insurance funds. The committee recognizes the difficulty of accounting for the hundreds of thousands of transactions made in the funds annually. However, the problems with the accounting and financial control practices found by the Comptroller General were severe enough to prompt this committee's concern. In the wake of this audit report, the committee also became aware of another report of the Comptroller General which found inadequate internal audit control over thirteen other funds under the jurisdiction of the Department. The committee believes that these reports should prompt the direct attention of the Secretary.

PURCHASE OF FEE SIMPLE TITLE

The committee recognizes the special problem which exists in Hawaii where homeowners generally purchase homes while holding a long-term leasehold for land upon which it is situated. It has, therefore, increased the maximum amount of a loan insurable under the section 240 program, to enable purchase by homeowners in Hawaii of the property upon which their homes are located. The amendment would increase the present \$10,000 per family unit limit which has not been increased since 1968, to \$30,000 per unit in the case of properties located in Hawaii.

HUD DAY CARE CENTER FACILITIES

The committee adopted an amendment authorizing the Secretary to establish one or more day care center facilities for the purpose of serving children who are members of households of employees of the Department and to establish appropriate fees and charges for use of any such facility. Under existing law, the Secretary is authorized to establish only a single such facility (which is located at HUD head-quarters) and to establish appropriate fees and charges only for that facility. Interest in similar facilities has been voiced at the field office level and this amendment would provide authority for the establishment of child care centers at the regional, area and insuring office levels.

SALE OF SURPLUS FEDERAL LAND FOR HOUSING

The committee has revised certain provisions of the Housing and Urban Development Act of 1969 relating to the sale of surplus real property in order to facilitate the use of such property for housing. Activity under this program has been at a very low level and the committee hopes that these changes will result in greater utilization of

surplus federal land and property for housing.

The statute would now provide that the housing made available as a result of the transfer would be occupied predominantly by families of low and moderate income. Under existing law, the word "predominantly" was not included, and proposed uses which were not exclusively directed toward low and moderate income families could have been excluded. Such an interpretation is clearly inconsistent with providing opportunities for economic mix in housing developments.

These changes also update the provisions which had limited use of the program to projects assisted by certain Feedral housing programs in use in 1970 or similar state or local programs. The law would now provide for utilization with any federally assisted housing program, as well as state or local programs having the same general purpose.

GNMA-LIMITS

The committee approved an increase in the maximum original obligation of most mortgages which may be purchased by GNMA in its Section 305, special assistance programs. Under existing law, the maximum principal obligation under this program is generally \$33,000 (\$38,000 in high cost areas) for each dwelling unit plus an additional \$2,500 for each unit which has four or more bedrooms. With the

changes made by the committee, GNMA could purchase mortgages with principal obligations of \$50,000 for a single family home, \$55,000 for a two-to-three family home, and \$62,500 for a four-family home. Multifamily mortgages purchased by GNMA could not exceed \$38,000 per unit or \$45,000 per unit in high cost areas. These changes are a response to the exceptional inflation in housing costs since 1974 when the limits were initially set. The committee continues to believe that the GNMA below market interest rate programs should be limited to moderate income families and, therefore, decided not to increase these limits to the maximum Section 203(b) mortgage limits.

NATIONAL INSTITUTE OF BUILDING SCIENCES

The committee bill contains a provision providing that any authorizations available for the National Institute of Building Sciences, but not appropriated for fiscal years 1977 and 1978, shall be available for appropriations through fiscal year 1979. The committee believes that the work of Institute, just beginning, has the potential for assisting the government and the home building industry in seeking cost saving building techniques to assist in halting the increasing cost of homeownership.

TITLE 1 PROGRAM

In 1977 Congress increased the maximum amount of insurance and the loan term permissible under the title I property improvement and mobile home loan insurance program for single family structures and mobile homes. This was the first increase in the program since 1974. The Congress, however, did not at that time enact loan ceiling increases and repayment period extensions for home improvement loans made with respect to two or more unit dwellings. Recognizing both increases in the cost of living and the important role that property improvement loans can play in energy conservation, the committee has increased the maximum home improvement loan permitted to \$37,500 from \$25,000, and increased the loan ceilings within that maximum to \$7,500 per unit from \$5,000. In addition, the maximum repayment period would be increased from twelve years and thirty-two days to fifteen years and thirty-two days.

FEDERAL HOME LOAN MORTGAGE CORPORATION

The committee bill contains a provision to authorize mortgage lenders that are approved by the Secretary of the Department of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act ("mortgage bankers") to soll loans directly to the Federal Home Loan Mortgage Corporation ("FHLMC" or the "Corporation"), and to clairfy the authority of the Corporation to specify necessary requirements in that connection; to provide guidance to the Corporation in the exercise of that authority; and to provide an effective date for the amendments to the Federal Home Loan Mortgage Corporation Act made by this title. By "direct" sales the committee means a situation in which the eligible seller sells mortgages to the Corporation in its own name and right as seller.

The committee amendment attempts to address itself to a difficult situation that arose involving the question of whether mortgage

bankers were eligible to service mortgage loans sold to the Federal Home Loan Mortgage Corporation. This issue was complicated by vague directions in the Conference Report on the Housing and Community Development Act of 1974 to permit limited servicing, and the regulations of FHLMC which effectively prohibited any mortgage banker servicing of loans sold by savings and loan associations to the Corporation by applying standards that savings and loans can normally meet but which mortgage bankers cannot. Underlying this whole issue was a basic question of whether the Congress created FHLMC solely to assist only one segment of the mortgage lending industry, to provide a secondary market facility, to the exclusion of all other segments. It is the position of the committee that this facility created by the Congress was to assist the housing markets generally and not one favored segment. It has been stated that mortgage bankers have FNMA and savings and loans have FHLMC. The committee reiects that justification. These are entities created by Congress generally to assist the mortgage credit markets and not benefit just parts of it.

This issue has been before the committee in one form or other, mainly in Committee Reports and Conference Report Statement of Managers language, as well as extensive Congressional correspondence to the Federal Home Loan Bank Board. The Corporation and the Bank Board have generally taken the position that modified servicing by mortgage bankers is direct sales access and contrary to statutory

and legislative intent.

This committee amendment seeks to clarify this issue once and for all by providing direct sales access for mortgage bankers who desire to do business with the FHLMC.

Requirements and Eligibility

On January 31, 1978, the Corporation submitted to the Congress a report entitled "Mortgage Banker Access to the Federal Home Loan Mortgage Corporation." This report, contained in the Subcommittee on Housing and Community Development hearings on the 1978 Housing and Community Development Amendments at pages 693–799, suggested a number of conditions or "rules of the road" which would be necessary in the Corporation's judgment if the Congress were to authorize mortgage bankers to sell loans directly to the Corporation. It is the committee's opinion that the "rules of the road" suggested by the Corporation are reasonable and necessary for direct sales access by mortgage bankers to be practicable, to be fair to other eligible sellers, and to avoid impairing the efficiency of the Corporation. For these reasons, and to most clearly express the intentions of the Congress, the committee has incorporated these conditions in the committee amendment.

A strong net worth position is necessary for eligible sellers because of the Corporation's use of a warranty system and because the Corporation's operations must be placed on a sound footing to be successful in a national marketplace. Hence, the committee's amendment specifically refers to the Corporation's ability to prescribe minimum net worth requirements for eligible sellers. The committee recognizes that, given the variety of types and classes of eligible sellers to the Corporation, a single minimum net worth figure may not be appropriate for all types and classes of eligible sellers. The committee encourages the Corporation to develop a generalized system for making determina-

tions of adequate minimum net worth for various types of eligible sellers. The Corporation's report to the Congreses suggests preliminarily that a figure of \$250,000 may be appropriate for the purposes of qualifying most mortgage bankers as eligible sellers. The committee also encourages the Corporation to give careful consideration to the nature of qualifying assets for purposes of setting minimum net worth requirements for different types of sellers. The committee recognizes that the minimum net worth requirement established by the Corporation may also have to include some aspects of liquidity requirements. The committee encourages the Corporation to specify minimum net worth requirements at levels that will qualify as many eligible sellers as possible consistent with the Corporation's business need to have the quality of its securities and the strength of its finances to be unques-

tioned in the national marketplace.

The committee recognizes that supervision is necessary both from the standpoint of the Corporation's business and also from the standpoint of protection of the public. The Corporation's report suggests that the most efficient method of accomplishing this supervision in the case of mortgage bankers may be the institution of an audit system implemented through independent public accountants and based on an audit guide prepared by the Corporation. The Corporation may supplement the audit by independent public accountants by periodic reviews by its own staff. The committee encourages the Corporation to develop that portion of its guide dealing with loan processing so as to avoid any unnecessary duplication with respect to similar audits made of mortgage bankers in this area by other organizations, such as the Federal National Mortgage Association. However, the committee recognizes that the program requirements and statutory powers of the Corporation and other organizations are not the same so that an audit guide developed by the Corporation may differ to some extent from those of other institutions.

At the present time extensive warranties are required by the Corporation from its sellers and servicers with respect to loans sold to the Corporation and serviced for it. This system of warranties is a critical feature of the Corporation's operations. The committee expects that the Corporation will require these warranties of mortgage bankers and that the Corporation will assure itself that the operations of mortgage bankers who are eligible sellers are conducted in such a way that meaningful support is provided by the warranties given by them. The Corporation will be expected to develop a mechanism to assume that mortgage bankers have the ability to support their warranties. In this connection, the committee believes that the Corporation should take into account the existence of insurance in the form of blanket fidelity bonds, errors and omissions policies, and title insurance. The Corporation may develop, as necessary, additional compensatory mechanisms, such as special reserve requirements. The committee encourages the Corporation to avoid unnecessary costs to mortgage bankers in this connection. The committee has a concern that unnecessary costs may be encountered due to the possible unavailability or high cost of letters of credit, and urges the Corporation to avoid that alternative if possible.

The Corporation's report indicated the need for a review and approval of office facilities and to be satisfied as to the prior experience

of eligible sellers in loan origination and servicing. Such actions are commonly employed as a prudent business practice in the secondary mortgage market and the committee recognizes the need for such an

approval process.

The sale of mortgage securities by the Corporation with its guarantees of principal and interest create potential claims on the Corporation's capital. It is essential if FHLMC is to continue to maintain its financial solidity that the capital or capital equivalents available to it grow with its sales. FHLMC's initial capital of \$100 million was provided by the Federal Home Loan Banks whose capital stock is in turn owned by the thrift institution members of the Bank System. Nonmembers, such as commercial banks, and mutual savings banks pay a one-half point nonmember fee as a capital substitute. An essential aspect of providing direct sales access to mortgage bankers is that the mortgage banker be placed on a parity with other eligible sellers from the standpoint of making a capital contribution.

The Corporation's report suggested that perhaps the most efficient way of assuring parity would be that the mortgage banker simply pay a nonmember fee. However, in the longer run this method may not suffice because FHLMC may need amounts of long term capital greater than can be generated by fees. In that case, mortgage bankers could be required to make proportionate contributions to capital, along with all other eligible sellers. Should the Corporation elect to employ user debentures as a capital substitute, the committee encourages the Corporation to consider any differential effects they may have on mortgage

bankers.

The Corporation's report indicates a concern with the relative distribution of its purchases among various types of eligible sellers and suggests the need to employ volume limits to avoid any imbalances. Since mortgage bankers are by the nature of their business high volume sellers, it is likely that they could come to play an extensive role in the Corporation's purchase programs. There are, however, certain countervailing factors, such as the Corporation's pricing structure, mandatory delivery requirement and its weekly limit of purchases from any one seller. However, the committee believes that if loans originated by mortgage bankers began to dominate the Corporation's programs, FHLMC may need to establish volume controls by type of seller to insure that its developmental mission is not impaired. The committee believes that a limitation for mortgage bankers not now eligible sellers of approximately 20 percent of FHLMC's annual purchase volume would assure that FHLMC would continue to serve the thrift industry.

The Corporation's report raised a concern that during certain market conditions the Corporation may need to finance substantial portions of its purchases by means of borrowings from Federal Home Loan Banks and that such borrowings may constitute an indirect form of funds transfer for the benefit of nonmembers of the Bank System. The Corporation's report suggested that under these circumstances it may be necessary to suspend, reduce or reallocate purchasing with respect to nonmembers. The committee encourages the Corporation to first explore other techniques such as multiple auctions and increased fees and charges so as to minimize any substantial differential effects on particular types of sellers, and, to the extent practicable, to make

reasonable efforts to avoid suspension of purchasing from any particular type of seller.

The committee recognizes that the different types of sellers to the Corporation have differing relative needs for programs involving prior approval, optional delivery, and purchase of loans other than conventional mortgages. The Corporation's report expresses a concern that a multiplicity of programs tailored to the special relative needs of particular types of sellers would not be cost effective and could result in serious distortions of the Corporation's operations. The committee amendment addresses this concern by providing that the Corporation need not make available, to any particular type of seller, programs involving these features to a greater extent than they are offered to other types of sellers. Of course, the Corporation is free to modify its programs for all sellers to the extent that it believes that the development of the secondary mortgage market would be served thereby.

At the same time the committee recognizes that, given the differing types of sellers, the Corporation's programs may have differential effects on them. The committee does not view such effects as discriminatory, but believes that the requirements of the Corporation regarding its programs must have a rational relationship to the purposes of provisions of the Act. The term "rational" is deliberately chosen as a guide to the Corporation that its requirements may not arbitrarily differentiate between different types of sellers and servicers and, to the extent that distinctions are made, that those distinctions are made, that those distinctions must be based on a factual foundation. For example, if the Corporation imposed requirements on mortgage banker services that were stricter or less favorable than similar requirements imposed on thrift institution servicers and there was not a factual foundation for the differences, those requirements would not meet a test of rationality.

The Corporation's report to the Congress gave great emphasis to the developmental mission of the Corporation. The committee shares the priority the Corporation accords to that mission and has added language to the committee amendment providing guidance to the Corporation to make reasonable efforts to encourage participation in its programs by various types of eligible sellers, including mortgage

bankers.

The committee amendment provides for a delayed effective date for the changes made to the Corporation's enabling legislation by this Title. The committee recognizes the magnitude of the operational issues the Corporation will need to resolve in order to properly accommodate a new type of eligible seller and its aware of the extensive developmental programs in which the Corporation is presently engaged. Under these circumstances the committee believes that a delay in effective date is warranted. The amendment provides that this Title will take effect upon the expiration of 210 calendar days after it is enacted, but not earlier than January 31, 1979. The Corporation may, of course, make its program changes effective at an earlier date.

SALES OF ACQUIRED PROPERTY TO COOPERATIVES

The committee amended section 246 of the National Housing Act to provide the Secretary authority to extend to consumer cooperatives.

not all of whose membership may intend to reside in a particular project, the same opportunity which now exists for cooperatives consisting solely of residents, to purchase multifamily projects owned by the Secretary on preferred terms. The Secretary is also provided the discretionary authority to insure a mortgage in conjunction with such a sale, in addition to being able to accept purchase money mortgage.

SECONDARY MORTGAGES ON INSURED PROPERTIES

The bill contains a new provision aimed at encouraging innovation by state and local governments and housing agencies in providing greater opportunities for individuals and families to make home purchases. The committee has long been concerned with the heavy burden incurred by many prospective borrowers, particularly young and first-time home purchasers, under traditional level payment mortgages and downpayment requirements. In 1977 the Congress reduced downpayment requirements, and also removed certain limitations on the use of graduated payment mortgages. A graduated payment mortgage permits lower initial monthly payments for borrowers whose incomes are below usual requirements and higher payments in later years

when their incomes are expected to be higher.

At the same time that the problem of housing affordability has been addressed by the federal government, some state and local housing agencies have also been active in this area. The committee has been interested in programs developed in Minnesota and Dade County, Florida, and its Task Force on Home Ownership will be looking at these models, together with the potential use of community development funds, as it examines additional vehicles for making home ownership possible. The committee expects the Department to work with other levels of government in examining new approaches, in addition to those addressed by the amendment. Some of these state and local innovations include the advance of funds to assist in meeting downpayment requirements or to reduce interest charges or monthly payments, which may be recaptured through a secondary mortgage or other lien.

The Congress and the Department have approached the use of secondary financing in the case of FHA-insured mortgages with considerable caution. The concern has been, and remains, that of avoiding overburdening the home owner and increasing the likelihood of default and loss to the federal government. Accordingly, HUD regulations currently prohibit the use of any secondary financing in conjunction with the purchase of an FHA-insured single family home. However, because of its desire to permit experimentation and innovation by state and local authorities, the committee has included an amendment which provides that the Secretary may not withhold an FHA-insured mortgage solely because the property which secures that mortgage will also be subject to a secondary lien made, insured or held by a state or local governmental agency or instrumentality, the terms and conditions of which are approved by the Secretary. The Secretary remains free to withhold insurance for any other reason associated with normal underwriting standards, but could not withhold such insurance solely because the applicant was receiving or contemplated receiving assistance

secured by such a secondary lien. It is the view of the committee that such insurance should not be withheld unless the secondary financing substantially increases the risk of loss to the Federal Government.

TITLE IV—RURAL HOUSING

AUTHORIZATIONS

The committee has authorized the continuation through fiscal year 1979 of several expiring rural housing programs and increased the authorization for appropriations of several others. The cumulative authorized appropriation levels were raised to \$150 million in the section 504 rehabilitation loan and grant program and to \$115 million in the section 516 farm labor housing grant program for fiscal year 1979. The committee, in addition to authorizing the section 515 multifamily loan program and the section 517 rural housing loan program through fiscal year 1979, increased the limit on loan volume in the section 514 domestic farm labor loan program to \$38 million annually. It also increased the authorization of appropriations for fiscal year 1979 in the section 523 mutual and self-help housing program to \$16.5 million. The committee is pleased to see the receptivity of the administration

to this excellent and useful program.

The committee has also increased the authorization for fiscal year 1979 appropriations in section 525 counseling and technical assistance programs to \$5 million each. The committee believes that these programs can effectively reduce the likelihood of mortgage delinquencies and minimize the possibility of foreclosure. Extensive studies by the Department of Housing and Urban Development have shown that default counseling is a cost-effective way of curing delinquent loans. The committee, however, does not believe that counseling or technical assistance can, by themselves, solve the severe problem of delinquency faced by the agency. With 20 percent of all loans delinquent and as many as 10 percent of those loans delinquent for more than a year, significant improvements in the operations of the agency appear necessary. The committee recognizes that its concern is shared by the administrator and will follow with interest the administrator's progress in bringing the problem under control.

RURAL HOUSING RESEARCH

The committee has increased the authorization for appropriations in the rural housing research programs to \$10 million in fiscal year 1979. The committee has also acted to broaden and redirect this

program.

Over the past 10 years significant shifts in the demographic trends affecting rural areas has occurred. Historically rural areas have been characterized by outmigration, however, recently these trends have been reversed. The committee believes that it is essential for the agency to examine these growth patterns and their relationship to various aspects of rural housing problems. Additionally, the committee recognizes that these demographic trends affect rural community facilities and services as well as rural housing. The committee, therefore, has

provided that the agency examine the status of rural community facilities and services to determine their adequacy to meet the growing needs of rural families. The committee is also interested in an examination of how rural growth patterns influence the problems of housing in urban and suburban areas and has, therefore, directed the agency to examine this area as well. The adequacy of the rural housing stock to meet the special needs of the elderly, the handicapped, farm workers and Indians should also be the subject of scrutiny by the agency. These groups have in the past been the most under-housed of all rural residents.

The problems of migrant and settled farm worker housing are of special concern to the committee. The committee's Task Force on Assisted Housing examined firsthand the housing problems of farm workers and their families. To more clearly understand these problems the committee has mandated a study to be submitted within one year on the extent and nature of farm worker housing problems. In the study, the agency is required to make legislative, administrative and other recommendations to the Congress so that both the availability and the condition of housing units for farm workers and their fam-

ilies will be improved.

The committee is also concerned that the homes of many rural families still lack sanitary water and waste disposal systems. Accordingly, the committee is directing the Secretary to determine the approximate number of rural housing units which lack access to either sanitary toilet facilities or potable water, and to prepare within six months the Department's best estimates of the cost of providing, within a two-year period, these facilities to the units which now lack them. The committee believes that much of this information is currently available from census records or data maintained by the Department and does not anticipate the need for a major new study, but rather a review and analysis of existing data on need supplemented by current cost determinations and recommendations.

The committee recognizes that many rural housing and development issues overlap with urban ones. The committee, therefore, expects the Farmers Home Administration and the Department of Housing and Urban Development to continue the close coordination of their re-

search activities so as to avoid duplication.

NOTIFICATION REQUIREMENT

The committee has adopted a provision which would require the administrator to provide to any applicant denied assistance in the rural housing programs a written notice of the reasons why such assistance was denied. This provision is designed to assist applicants in understanding why they do not qualify for assistance. It is also designed to assure that application criteria will be consistently and equitably applied to all applicants.

RURAL RENTAL ASSISTANCE

The committee approved an amendment intended to clarify several aspects of the rural rental assistance program. This program provides

a subsidy to low income rural families for the amount that their rent exceeds 25 percent of their income. The committee wishes to make clear that this subsidy assistance should not be limited to rental housing projetcs, but also be available to families living in congregate and cooperative housing. The committee also wishes to clarify that a project with a loan made under section 514 need not also have received

a grant under section 516 to be eligible for the program.

The bill would direct the Secretary of Agriculture to study and report to Congress within one year on the extent of the problems faced by families who own land in rural areas subject to remote claims or liens. In many areas of the country a great deal of land cannot be mortgaged or used as collateral because the ownership interests are not clear and title to the land is clouded. It is estimated that as much as one-third of the land held by blacks in the rural South is heirs property. This property is severely encumbered because after years of passing from one generation to another without the transfers being recorded, sometimes as many as one hundred people can have ownership interests in a single piece of property. Since no one may know where many of those owners presently live, it is often extremely expensive and sometimes impossible to clear title. In the Southwest, Spanish land grants have clouded titles and in New England title to thousands of acres is clouded by Indian claims.

Some states have considered ways to remedy these problems. In 1974 the South Carolina legislature introduced but did not pass a bill that would have authorized the state housing authority to underwrite suits to clear title on land involving 15 acres or less and having a market value of \$15,000 or less. A few state courts have extended the principles of adverse possession to land subject to the claims of remote heirs. However, these measures have had little impact on the problem.

Before recommending remedial legislation, the committee needs to know more about remote claims. The study authorized by this bill would direct the Secretary of Agriculture to analyze the amount and location of the land, the extent to which the owners of such land are ineligible for private mortgage insurance, mortgage loans and Farmers Home programs, and the remedies existing under state law. The Secretary would also be directed to present recommendations to Congress regarding the changes that are needed in state and federal law. Of particular concern to this committee is the measure of the risk the Farmers Home Administration would be exposed to if it were to offer financing insurance or grants for home ownership purposes to persons owning land subject to remote claims. Crucial to this analysis would be the definition of a remote claim as it relates to the age of the lien, the percentage interest owned by an heir and the length of time the heir has been absent from the land.

RURAL DEEP SUBSIDY HOME OWNERSHIP PROGRAM

The committee has approved a new program designed to meet the special and unique housing needs of some of our poorest rural families. Though significant progress has been made in reducing the number of substandard housing units in rural areas over the last several years, there still remain almost 2 million units which lack complete plumbing

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or are physically dilapidated. Over 75 percent of the occupants of those units earn less than \$7,000 and close to 45 percent are elderly. The Farmers Home Administration along with the Department of Housing and Urban Development can, through their existing programs, help many of these families find decent, safe and sanitary housing. However, many other families have to date been unable to be served by the existing programs. These are families who even with interest credit loans are nnable to own a decent home and who live in areas where assisted rental honsing would not be suitable. The deep subsidy home ownership program being proposed by the committee has been devel-

oped to target assistance on these families.

Before the administrator could make assistance available to a family under the program, two determinations would have to be made. First, it would have to be determined that the family was unable to afford a decent home even with a one percent interest credit loan. Additionally, the administrator would have to find that the area in which the family lives would be unsuitable for assisted rental housing. The administrator in making this second finding should be guided by the criteria the agency would use to determine if an assisted multifamily project would be feasible in the area. The administrator should also take into consideration the density of the population, the adequacy of public facilities, the availability of public services and similar factors. The committee wishes to emphasize its intent that the program be available only to those families who cannot be served by other FmHA and HUD programs. The committee contemplates that this program will be used primarily in remote rural communities with populations of less than 2,500 persons. These communities have been identified by the Department of Agriculture's Rural Housing Program Strategy Study as being the most in need of decent, safe and sanitary housing and thus should be given priority by the agency.

After qualifying for the program a family could receive the difference between 25 percent of its income and the amount determined to be necessary to pay mortgage principal and interest, property taxes, property insurance, utilities and maintenance. As with all Farmers Home Administration programs the house will be of modest character. The committee expects initially that the families who receive assistance under the program will at least be able to cover the maintenance allowance set for the property with 25 percent of their income. The committee recognizes that families receiving aid under this program may be unable within their limited disposable income to pay for major repairs at the point in time they are necessary. The committee expects the administrator to take steps through such mechanisms as repair and maintenance escrow accounts to assure that the family will be able to make the repairs in a timely fashion. In addition, the committee instructs the administrator to assure that in making assistance available for utilities that such assistance be limited to that necessary to cover reasonable levels of consumption and not be used to subsidize wasteful

energy use.

Many low income rural families have seasonal incomes or can only be assured of temporary or intermittent employment. The committee is concerned that adequate provision in the procedures established

for the program be made to accommodate such families.

The committee believes that counseling assistance must be an integral part of the program. Many participating families, during the initial phase of occupancy and as their circumstances change, will require counseling to assist them in meeting their management and maintenance responsibilities under the program. Counseling has also proved effective in reducing the likelihood of delinquencies of the type which have plagued the other FmHA programs. The committee, to facilitate the availability of such counseling in this and other FmHA programs, has separately authorized an increased funding level for the section 525 counseling program. In any event, the committee expects that the administrator will assure that counseling assistance is

available to every participant in the program.

The committee has provided that under both this program and the single family interest credit programs, there be a recapture of a portion of the assistance made available. The recapture would occur at the time of the sale of the property and be made out of the net sale proceeds. The administrator, in determining the amount to be recaptured, is required to provide for an incentive to borrowers who maintain the property in a marketable condition. The committee also expects that borrowers who make greater contributions to the cost of owning the property will receive a greater share of the proceeds of sale. With respect to the deep subsidy program the committee expects that the administrator will set the amount of recapture at a level that will not only encourage the participating family to maintain the property but will also maximize the return to the Federal government.

The assistance made available to a family under either the interest credit or deep subsidy programs would not be considered income or resources for purposes of any public assistance or welfare program since the committee does not wish to exclude low income participating families from these programs. The committee wishes to make clear that it does not intend by the language of this provision to indicate that assistance received under the FmHA programs should receive tax treatment any different than that accorded assistance received

under any other housing program.

The committee has placed a limitation of \$440 million on the total amount of loans that can be made under the section 502 and section 517(a) programs to families receiving assistance through the new deep subsidy program. This level of loans should more than accommodate the mortgage needs of the 16,000 families initially expected to participate in the program. The purpose of the limit is to give the committee the opportunity to examine by whom and under what circumstances the program is being used before it is expanded beyond this initial level. It will also give the committee the opportunity to determine whether adequate administrative safeguards and procedures have been developed by the FmHA and to exercise its oversight responsibility.

The committee recognizes that this program requires extensive supervision by the Farmers Home Administration to assure its success. It is in this area the committee has some concern. A recent report by the House Appropriations Committee pointed out the unusually high level of mortgage delinquencies (approximately 20 percent) permeating all of the FmHA programs, The report attributed this situ-

ation to a lack of adequate involvement of county agents and their staff in loan servicing. The report also pointed out that there exists a huge backlog of unprocessed loan applications. Both the backlog and the high delinquency rates appear to be indicative of a staff unable to direct its attention to activities essential to the operations of the agency's programs. The committee expects to monitor the progress of the agency in remedying these problems and will also carefully follow the implementation and administration of the new deep subsidy program.

TITLE V—CONGREGATE SERVICES

BACKGROUND

Recent studies have concluded that almost 2½ million elderly persons could avoid inappropriate and premature institutionalization if they lived in specially planned congregate facilities and received supportive services designed to assist them to live independently. Programs exist in the Department of Housing and Urban Development to encourage the devolpment of appropriate congregate facilities and other programs exist in the Department of Health, Education and Welfare to provide supportive services, such as nutritional meals, housekeeping aid and personal grooming assistance. Unfortunately, in spite of directives to past Administrations to devise methods to coordinate the development of the congregate facilities with the delivery of adequate supportive services, nothing to date has been proposed.

Almost four years ago, the Housing and Community Development Act of 1974 directed the Secretary of HUD to assure that congregate housing built with federal assistance would be coordinated with state and local plans to use federal funds available from HEW to provide an assured range of supportive services. Efforts to assure coordination have failed. As the accompanying chart illustrates, over twelve separate programs provide funds for state and local governments to distribute, in order to provide a range of services that would be ap-

propriate for a congregate housing setting.

Most of those funds are authorized by Title XX of the Social Security Act and Titles III and VII of the Older Americans Act, but since each program funds separate services and has different eligibility requirements, fee schedules, State matching grant requirements and distribution procedures, coordination has been impossible. In addition, the flexibility granted States and communities in planning for the use of those funds prevents any congregate, housing development from being able to plan on a reliable or continuing source of funds for neces-

sary supportive services.

In light of these circumstances, the committee has approved a program designed to assure that a reliable source of funds for the provision of an integrated package of supportive services will be available to low-income handicapped and elderly persons residing in congregate housing facilities sponsored by local public housing agencies or non-profit corporations under the section 202 program. The creation of this program intensifies the responsibility of the Administration to renew its efforts to effectively coordinate the delivery to congregate facility residents of supportive services available through existing

Comparison of Federal programs of direct support for supportive services

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		Meal	ls	H'keep.	ep.	P/Care	are	Se	services	-							5	a se	20	2	-			
Federal Program	Congregate meals	Home-delivered slsem	Food stamps, nutrition ed, shopping	Слоге	Homemaker Home-health	Retsonal care	Recreational	Continuing	Employment Employment	Opportunities	Transportation	Escort	Counseling	Friendly visiting	Telephone reassurance	Legal services	Outreach	Welfare	Social services (general)	Health-related, health-	Supportive	Screening and	evaluation Voc. & rehab.	serv/devices Housing services
Title XX, Social Security Act	x	×		х	x	×				×	×		×			x			х	×	×			х
Title III, Older Americans Act	х		х	х	×	×	х	х	×	×	×	х	х	x	×	х	×	х	х	Ж	Х	х		
Title VII, Older Americans Act	×	х	х				х			×	×	х	х				х		х					
Senior Opportunities and Services	х	х	х		×	х	X	×	ж	×	×			ж	х	х	×			х				
Community Food and Nutrition Program	×	х	х																					
Food Stamp Program	×	х	ж	•																				
Sec. 16(b)(2), UMTA											×													
Reduced Fares, UMTA											×													
Medicare						х																		
Medicaid (Basic Required Services)						x	x				×											×	×	
Community Development																			x					×
Revenue Sharing							_												х		_		_	

"SOURCE: Material on which this chart is based has been drawn from relevant legislation, Federal regulations, and The Internalationships of Benefit Programs Benefiting Older Americans, a Federal Council on the Aging publication.

HEW program resources. If congregate housing is to become a viable alternative for the low-income elderly and handicapped who need some assistance in order to continue to live independently, it will be necessary for the Administration to conduct a thorough revision of the delivery mechanism for a wide variety of supportive services including home health care, counseling and transportation services not affected by this amendment.

THP CONGREGATE SERVICES PROGRAM

The bill authorizes an appropriation of \$80 million over the next three years to provide a range of supportive services to 16,000 eligible individuals. Since HEW has significant experience in designing, evaluating and delivering supportive services programs, since the services provided under this program may not duplicate services presently affordable, accessible and available under existing Federal, public and private programs, and since Area Agencies on Aging must review and comment on applications for assistance prepared by public housing agencies, the bill directs the Secretary of HUD to undertake extensive consultation with the Secretary of HEW in the development of procedures and regulations governing the program. In order to avoid the creation of additional frustrating conflicts between the provision of social services under this congregate services program and under existing social service programs, the committee expects that, where possible, the regulations developed will be consistent with existing program requirements to the extent that those requirements are equitable. For example, the congregate services program requires that eligible recipients pay for services based on a sliding fee schedule related to income; that fee schedule could be made consistent with the sliding fee schedule developed for similar services under the Title XX Social Services Plan.

In defining congregate housing, the committee intends to include projects whose living units contain half-kitchens or kitchenettes for the preparation of occasional meals. The supportive services will be available to adult project residents who would not be able to continue to live independently without some assistance and who are either younger than 62 and permanently handicapped or are at least 62 years old and suffer from a short-term disability, a permanent handicap or the consequences of the normal aging process. Too many of these people, in the absence of such assistance, have been relegated unnecessarily or prematurely to nursing homes or hospitals where the annual cost of the care provided exceeds the annual \$1,000 per person esti-

mate for this program.

The contracts between HUD and the congregate services program sponsor will be for terms ranging from 3 to 5 years as determined by the Secretary depending upon the experience of the sponsor in providing such services. Each congregate services program must include a complete meal service adequate to meet the nutritional needs of the elderly and disabled assisted by this program. The supportive services may also include other forms of assistance appropriate to the needs of the eligible occupants, including housekeeping aid and assistance necessary to accomplish various activities of daily living such as bathing, grooming, dressing, toileting, eating and ambulating. The

eligible project residents will be charged for these services according to a fee schedule established on a sliding scale related to income. In some cases, the income of the project resident eligible for assistance under this program will be so low that program funds will totally subsidize the cost of providing the service. Where the meal service is provided to project residents who are not eligible for assistance under this program because they are able to care for themselves, reasonable fees, not

exceeding the cost of providing the meals, must be charged.

The determination of who is eligible for the services provided by this program and what services would be appropriate to individual functional abilities will be made by a committee of trained professionals appointed by the public housing agency or the 202 project sponsor. The procedures used to determine eligibility should be designed to afford the applicants fair treatment and due process, including the preservation of the confidentiality of their personal and medical records as well as the opportunity to have a finding of in-

eligibility reviewed.

In order to avoid wasteful duplication, to identify the means of providing appropriate services and to assure that congregate housing service program applicants coordinate all available Federal, public and private resources (including commitments of assistance from volunteers), the bill requires that, in planning the service program, the applicant consult with local state agencies having experience relevant to assisting the elderly and handicapped adults served by this program. In planning for elderly residents the appropriate state agency established under the Older Americans Act of 1965, which may be the Area Agency on Aging, must be consulted. In planning for nonelderly handicapped residents, the appropriate local state agency responsible for developing, providing or identifying social services to permanently disabled adults must be consulted. The recommendations of these agencies must be considered in the development of the application for new and renewed funding. The applicant may either provide congregate services directly or, by contract or lease, through other agencies or providers. The nature of these arrangements will be one of the factors HUD will evaluate in reviewing the application for assistance. The provisions of these services must also meet standards prescribed by the HUD Secretary and developed in consultation with the Secretary of HEW.

An applicant must continue, through the period of the assistance contract, whatever level of funding the applicant had been providing for similar services prior to the application for assistance. This funding level must be increased to reflect changes in the cost of living if the contracts or leases entered into by the applicant provide for such cost of living increases. This provision assures that this program does not replace, but is in addition to prior commitment levels. In exceptional cases, the HUD Secretary may waive this requirement where it would be necessary to maintain an adequate level of services to eligible project residents and where the sponsor has established, to the satisfaction of the Secretary, that every effort has been made to secure those funds in an equivalent amount from sources other than this

program.

Among other requirements, the application for assistance must include a plan for the provision of services based on the needs and characteristics of eligible project residents. It should include estimates of changing needs over the contract term given the changing characteristics of eligible project residents and of project residents who are not eligible for assistance at the beginning of the contract term, but because of the consequences of the normal aging process may become eligible for assistance before the contract term expires. The reserve fund established by the Secretary from appropriated funds may be used to increase funds during the contract term to meet these projections and other unanticipated changes. Within twelve months prior to the application for renewed funding unded this program, the program sponsor must review the effectiveness of its service program and the reasonableness of its fee schedules with eligible project residents and with the professional assessment committee. The results of this review must be included in any application for renewed funding, and it is expected that the revised proposal will be responsive to the concerns expressed by the persons this program is designed to assist.

In evaluating applications for assistance, primary consideration will be given to the appropriateness of the services to the eligible residents and the extent to which services already available in the community would be adequate. The review of the preliminary application conducted by the local state agencies dealing with the elderly and the handicapped should be useful in assessing this factor. In addition, the HUD Secretary shall consider how quickly services will be established, the professional qualifications of the members of the professional assessment committee and the reasonableness of established fee schedules.

Since this is the first time HUD will be involved in the provision of supportive social services, the committee is concerned that the performance of the housing sponsor in providing these services is carefully evaluated. As well as requiring annual reports from the housing sponsor receiving assistance, it may be appropriate for HUD to conduct occasional on-site visits. It would be useful if, in addition to evaluating the impact and effectiveness of this program, the annual report to Congress reflects the extent to which the congregate services sponsors are having difficulty or are able to use funds available through other fed-

eral programs.

In establishing procedures to fund the approved applications, the Secretary shall assure timely payments will be made and where no similar services have already been available in the project, adequate provision will be made to fund the costs associated with starting such a program such as purchasing kitchen utensils and food supplies and hiring the persons who will be responsible for initating the operation of the services. Where a service program has been approved for a congregate housing facility which is proposed or under construction, those services must be in place by the time the first eligible resident moves into the facility. In order to assure that funds will not be reserved and held idle for long periods when alternative project sponsors are available to initiate services rapidly, any funds may be reallocated when services are not established within six months of the date on which a sponsor is notified of funding approval.

Since it is expected that many elderly and permanently disabled adults who are able to live independently without the assistance provided by this program will continue to be residents in congregate facilities where these programs are instituted, the bill requires each project sponsor to hire such project residents whenever it is possible and practical to do so. Many of the services funded by this program such as assisting others in personal grooming, eating and housekeeping tasks can be very competently performed by the independent and active project residents. Many of these residents would be able to work on a part-time basis. As well as being able to supplement sometimes meager incomes, these employed residents could benefit immeasurably from an increased sense of well-being and self-worth resulting from the responsibility and usefulness of their employment.

TITLE VI—NEIGHBORHOOD REINVESTMENT CORPORATION

BACKGROUND

The Urban Reinvestment Task Force was created in 1974 when an interagency agreement was signed between the Federal Home Loan Bank Board and HUD. During 1975, membership on the Task Force was expanded to include a member of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency and the Chairman of the FDIC. The Federal Home Loan Banks provided \$550,000 annually for the Task Force, while HUD increased its funding level annually from \$750,000 in 1974; to \$2,250,000 in 1975; \$3,125,000 in 1976; to \$4.5 million in both 1977 and 1978. The interagency agreement establishing the Task Force and the contract for funds from HUD was scheduled to expire at the end of Fiscal Year 1979.

Between 1974 and 1977, the Task Force has been instrumental in establishing Neighborhood Housing Services (NHS) in over 42 neighborhoods in 36 cities. The NHS operations create effective partnerships among neighborhood residents, city officials, financial institutions and other private institutions in an effort to revitalize urban neighborhoods. The Task Force acts as a catalyst and educator, provides an initial grant and once the development process is completed, steps out of the picture; the NHS continues as an autonomous, private and

locally controlled program.

The NHS program is funded from a variety of sources including Task Force grants, private funds, state grants and Community Development Block Grant (CDBG) funds. The operating budget for the NHS is provided mainly by contributions from financial institutions. Once a neighborhood has been selected for an NHS (most of those selected contain at least 50 percent owner-occupied dwellings and the income level is at least 80 percent of the city's median income) residents are assisted by the NHS staff in securing financing or grants to improve the property they own or to purchase homes. Since 1974, the NHS program has generated at least a total of 1,147 bankable loans worth \$12,736,000 and 1,668 bankable mortgages worth \$22,475,000.

For those NHS area residents who do not qualify for market-rate loans or mortgages, each NHS has a high-risk revolving loan fund from which grants and below-market rate loans are made. This fund is financed with Task Force grants, CDBG funds and some private funds.

As the program has expanded to smaller cities or to cities with less foundation support, the reliance on CDBG funds has increased. In over 50 percent of the NHS programs, more than 60 percent of the funds for the revolving loan fund come from federal sources. Between 1974 and 1977, 1,517 high-risk loans totalling \$6,023,166 were made. The Task Force estimates that 5 percent of those funds were used for grants, 35.9 percent of those funds were used for loans at an interest rate of 3 percent or less, 32.9 percent of those funds were used for loans at an interest rate between 3 and 6 percent and 26.2 percent of those funds were used for loans above 6 percent interest rate.

As a fund-raising strategy for the high-risk loan fund, the Task Force created a private corporation, the Neighborhood Housing Services of America (NHSA), which provides a secondary market mecha-

nism for the unbankable loans.

The Task Force, as well as creating NHS's and the NHSA secondary market mechanism, has developed other demonstration programs including Neighborhood Preservation Projects, a Neighborhood Conservation Services Program, and Apartment Rehabilitation Projects; in the future the Task Force proposes to develop a Rehabilitation and Sale Project, an Infill and Sale Project and a Neighborhood Commercial Revitalization Project.

THE NEIGHBORHOOD REINVESTMENT CORPORATION

In recognition of the successful demonstration projects developed by the Task Force, this bill would institutionalize the Task Force by creating the Neighborhood Reinvestment Corporation, an independent public corporation whose board of directors would include officials of the agencies presently committed to the interagency agreement and the Administrator of the National Credit Union Administration. For the first two years of the Corporation's existence, the Chairman of the Federal Home Loan Bank Board would be designated Chairman of the Corporation. Thereafter, the board chairman would be elected from among the board members. The Corporation would continue the demonstration activities started by the Urban Reinvestment Task Force and would devise other programs designed to increase residential and commercial investment in urban areas. \$8.5 million would be authorized for Fiscal Year 1979.

While the committee is pleased with the kinds of the demonstration programs created by the Task Force, there is concern that by formalizing and institutionalizing the Task Force in a corporate form the cooperative interagency spirit that energized the Task Force structure might be lost. By providing for an elected Board Chairman after the second year of operation, the committee hopes that, in addition to HUD and the Federal Home Loan Bank, other agencies will become more involved in the kinds of projects initiated by the Corporation. It is important that the Corporation retain its willingness to experiment in devising new and innovative approaches to neighborhood revitalization. It is also important that the lessons learned from these demonstration projects be integrated into the programs of existing agencies. For example, one impact of NHS operations in cities containing an older housing stock has been the development of innovative appraisal methods. The dissemination of information regarding these success-

fully demonstrated approaches through existing institutions such as the Federal Home Loan Banks and the Comptroller of the Currency

should be encouraged.

The committee is interested to see that the principle of integrating techniques first demonstrated successfully by the Task Force into other agency programs is followed in the President's Urban Policy Message. Three proposals have been made for programs in existing agencies that are either explicitly or implicitly modeled after the approaches developed by the Task Force. These include:

(1) \$15 million Self-Help Development Program administered by the Office for Neighborhoods in HUD which would provide funds for specific housing and revitalization projects in poor and low-income areas which would involve the participation of local residents and neighborhood associates, the private sector and lo-

cal government;

(2) a pilot program, under the Comptroller of the Currency, creating Neighborhood Commercial Reinvestment Centers modeled after the URTF and involving neighborhood merchants and residents, local government officials and commercial banks in order to provide commercial credit in urban areas. Financial regulatory agencies would work with SBA, EDA, and HUD to revitalize specific commercial areas.

(3) the creation of an Institute for Community Investment under the FHLBB to bring together appraisers, realtors, lenders, building and insurance companies to develop a consistent approach toward urban lending and to train urban lending

specialists.

The committee is looking forward to reviewing these and other proposals which integrate procedures that are first demonstrated suc-

cessfully by the Corporation.

It is clear that the NHS programs have been effective in certain types of neighborhoods, but the committee is concerned that the Corporation not ignore the problems of reinvestment faced by rural areas, small cities and more severely distressed urban neighborhoods that are presently being served by existing programs. If the NHS model is not appropriate for such areas, the committee is confident that the Corporation will be able to design other models which would be effective in mobilizing a coalition of support from residents, local governments and private financial institutions. One such model would be for the Corporation to fund a consortium formed by a group of small cities or communities that want to make available to their citizens the services of an NHS.

The committee is also concerned with the apparent increasing reliance on CDBG money to support the high risk loan fund which is central to the operation of each NHS. The strength of this program is the partnership created between neighborhood residents, the local government and private institutions. A measure of that strength is the extent to which the private sector is willing to make a financial

commitment to the program.

In response to the problem of increasing the availability of funds for the high risk loans, a secondary mortgage pool operated by the Neighborhood Housing Services of America was created. The committee does not want to see this program expand into a fourth federallyassisted intermediary in the mortgage market. However, the committee recognizes that the NHSA could be important as a demonstration of the feasibility of involving the secondary market in the problems

of urban reinvestment.

The Reinvestment Corporation is required to report to Congress annually. To be meaningful and to assist Congress in its responsibility for reviewing the operations of the Corporation, the report should address itself to at least the following issues; the extent to which Corporation efforts have increased the commitment of private lending institutions in urban areas; the extent to which funds from various federal sources have been used in conjunction with Corporation projects; the efforts made to extend NHS programs to rural areas and to less stable neighborhoods than presently served; recommendations regarding institutional changes needed to increase lending in urban neighborhoods; and recommendations regarding ways that innovative procedures demonstrated by the Corporation could be integrated into the programs of existing federal agencies.

STATEMENTS REQUIRED IN ACCORDANCE WITH HOUSE RULES

In accordance with clause 2(1)(2)(B), 2(1)(3), and 2(1)(4) of rule XI and clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statements are made.

COMMITTEE VOTE (RULE XI, CLAUSE 2(1)(2)(B))

A total of 40 votes cast for reporting favorably H.R. 12433, as

amended, and 4 votes were cast against reporting the bill.

The following committee members cast votes for reporting the bill: Representatives Reuss, Ashley, Moorhead, St. Germain, Minish, Annunzio (by proxy), Hanley, Mitchell, Fauntroy (by proxy), Neal (by proxy), Patterson (California), Blanchard, Hubbard, LaFalce, Spellman (by proxy), AuCoin, Derrick, Hannaford, Allen, Lundine, Pattison (New York), Cavanaugh (by proxy), Oakar (by proxy), Mattox, Vento (by proxy), Barnard (by proxy), Watkins, Garcia, Stanton (by proxy), Brown, Wylie, McKinney (by proxy), Hyde, Fenwick, Leach, Steers, Evans (Delaware), Caputo, Hollenbeck and Green.

The following committee members cast votes against reporting the bill: Representatives Rousselot, Hansen (by proxy), Kelly (by proxy) and Grassley (by proxy).

OVERNIGHT FINDINGS (RULE XI, CLAUSE 2(1)(3)(A), AND RULE X, CLAUSE 2(B)(1))

The objectives of the bill are six in number: namely, (1) to revise, extend and reauthorize the section 312 rehabilitation loan program, to provide for a revised FHA rehabilitation insuring authority and to clarify Congressional intent with respect to the Community Development Block Grant Program; (2) to authorize additional funds for assisted housing and to provide for a new program to lower operating costs for certain troubled multifamily projects; (3) to extend for an additional year the authority of the Secretary of HUD to insure under various provisions of the National Housing Act and to extend and re-

authorize various HUD programs; (4) to extend and revise various rural housing programs assisted under the title V of the Housing Act of 1949, administered by the Department of Agriculture; (5) to provide for a new program to fund congregate facilities in public housing and housing assisted under section 202 of the Housing Act 1959; and (6) to establish a National Neighborhood Reinvestment Corporation.

The committee states that no findings or recommendations on oversight activity conducted in accordance with clause 4(c)(2), rule X of the Rules of the House of Representatives have been submitted by the Committee on Government Operations for inclusion in this report. While no reports from the Committee on Government Operations have been submitted, the committee has been working with the Government Operations Committee on their oversight work concerning operation of the section 312 rehabilitation loan program and the section 8 housing assistance program.

ESTIMATE OF COST TO BE INCURRED (RULE XIII, CLAUSE 7(A)(1),(2))

In addition to the information provided pursuant to subdivision (C) of clause 3 of rule XI of the Rules of the House of Representatives, the committee provides the following information with respect to the cost of the United States in carrying out H.R. 12433 in fiscal year 1978 and in each of the 5 succeeding years:

Fiscal year:	Millions
1978	. 0
1979	_ \$626
1980	_ 1, 041
1981	_ 460
1982	_ 638
1992	021

The committee has not received a similar estimate of such costs from a Government Agency.

Cost Estimate of the Congressional Budget Office Pursuant to Section 403 of the Congressional Budget Act of 1974 (Rule XI, Clause 2(1)(3)(C))

The Congressional Budget Office has submitted the following report:

Congressional Budget Office, U.S. Congress, Washington, D.C., May 15, 1978.

Hon. HENRY S. REUSS,

Chairman, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, Washington, D.C.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 12433, the Housing and Community Development Amendments of 1978.

Should the committee so desire, we would be pleased to provide

further details on the attached cost estimate.

Sincerely,

Robert A. Levine, Deputy Director.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

May 15, 1978.

1. Bill number: H.R. 12433.

- 2. Bill title: Housing and Community Development Amendments of 1978.
- 3. Bill status: As ordered reported by the House Committee on Banking, Finance and Urban Affairs, May 10, 1978.
- 4. Bill purpose: The purpose of this legislation is to amend and extend certain Federal laws relating to housing, community development and related programs.
- 5. Cost estimate: The estimated budget impact of this bill, by title, is summarized in the following table.

COST BY BILL TITLE
[In millions of dollars]

		Fis	cal year		
	1979	1980	1981	1982	1983
Title 1:					
Authorization level	270				
Estimated costs	94	126	21	-17	-17
Title II:	•				
Authorization level1	28, 585				
Estimated costs	303	608	261	507	810
Title 111:					
Authorization level	250				
Estimated costs	70	141	21	11	7
Title IV:					
Authorization level ²	184	133	121	111	102
Estimated costs	148	153	130	114	106
Title V:					
Authorization level	20	25	35		
Estimated costs	3	12	27	23	15
Title VI:					
Authorization level	9				
Estimated costs	8	1			
-					
Total:	00.010	150	150		
Authorization level	29,318	158	156	111	102
Estimated costs	626	1,041	460	638	921

The estimated budget impact of this bill, by function, is summarized below:

COST BY BUDGET FUNCTION [In million of dollars]

		Fi	iscal year		
	1979	1980	1981	1982	1983
Function 370:					
Authorization level 1	184	133	121	111	102
Estimated costs	148	153	130	114	106
Function 450:					
Authorization level	529				
Estimated costs	172	268	42	-6	-10
Function 600:		0.5			
Authorization level 2	28, 605	25	35		
Estimated costs	306	620	288	530	82

¹ Includes estimated authorization levels for rural housing loans and the homeownership assistance program, authorized in title IV.

² Includes an estimated \$27,800,000,000 for annual contributions to assisted housing, based on annual contract authority authorized.

This bill extends a number of insurance programs which result in contingent liabilities of the Federal Government and which could result in a significant budget impact in any given year although intended to be actuarially sound in the long term.

6. Basis of estimate

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

Rehabilitation Loan Fund.—The bill authorizes the appropriation of \$245 million for the Rehabilitation Loan Fund (section 312 of the Housing Act of 1964) for fiscal year 1979. In addition to increasing the limit on the size of loans, the bill provides that priority be given to loan applications from low and moderate income individuals and to applications from owners of condominiums and cooperatives in which low and moderate income persons live. The bill also provides that persons whose incomes exceed 95 percent of the median income of the loan area may be charged up to the Treasury rate for comparable obligations. In estimating the costs of this provision, it is assumed that loan disbursement rate at the authorized level, which is approximately three times the historical obligation level, will be slower than the historical disbursement rate for this program. Based on income data on loan recipients in the current program, with a 10 percent downward adjustment for the assumed effect of the higher priority given lower income families, it is assumed that 30 percent of loan funds would go to loan recipients who have incomes of greater than 95 percent of median. It is further assumed that the average interest rate paid by this group would be 4.75 percent, a mid-point between the current 3 percent rate for the program and a long-term Treasury rate. The estimated costs of this provision represent annual loan disbursements less receipts. The interest subsidy and loss costs of this provision, which reflect the long-term cost of the program rather than the immediate budget impact, are \$1 million, \$3 million, \$5 million, \$5 million, and \$6 million in fiscal years 1979 through 1983, respectively.

Urban Homesteading.—The bill authorizes the appropriation of \$25 million for the Urban Homesteading program for fiscal year 1979. The estimated costs are based on the historical spending pattern of

this program.

The budget impact of Title I is summarized in the following table.

[By fiscal years, in millions of dollars]

		Fis	cal year—		
·	1979	1980	1981	1982	1983
Title 1:					
Rehabilitation loan fund:	245				
Authorization level	245 82	113	21	-17	-17
Urban homesteading:	O.L	***		• '	•
Authorization level	25				
Estimated costs	12	13			
Total, title 1:					
Authorization level	270				
Estimated costs	94	126	21	-17	-1°

TITLE II-HOUSING ASSISTANCE PROGRAMS

Financial Assistance for Certain Housing Projects.—Section 201 of the bill would establish a new operating assistance program for multifamily housing projects experiencing financial difficulty. The bill also authorizes the appropriation of \$74 million for this purpose. To be eligible for assistance, a project must be assisted under section 236 or 221 of the National Housing Act or section 101 of the Housing and Urban Development Act of 1965. The bill also specifies certain management and maintenance procedures that must be followed in order to participate in the program. HUD expects to assist about 130,000 units of low-income multifamily housing with the funds authorized in fiscal year 1979. The costs of the program shown below are those estimated by HUD based on the appropriation of the full amount authorized.

Housing for the Elderly and the Handicapped.—Section 202 of the bill would provide that of the funds made available in appropriation acts for use in fiscal year 1979 pursuant to section 202 of the Housing Act of 1959, not less than \$50 million be used to provide rental housing for the handicapped. It is estimated that this provision would

not result in additional costs to the federal government.

Low-Income Housing.—Section 203 of the bill increases the annual contract authority available for use in HUD's low-income housing programs by \$1,195 million. The bill also eliminates the provisions existing in current law that set aside funds for specific uses. With the elimination of the current set-asides and in the absence of new ones, it is assumed in this cost estimate that the newly available contract authority will be distributed among the various subprograms in the same proportions as in HUD's fiscal year 1979 budget request. The new annual contract authority released in a given year for HUD's low-income housing programs is the limit on the additional federal expenditures per year that can derive from the use of that authority. Budget authority, on the other hand, is the limit on the total federal expenditures that can result from the use of the new authority. Thus, budget authority is a function of the amount obligated in a given year and the maximum number of years (the contract term) those obligations can be in effect. The contract term is not the same for all of the various subprograms. The contract terms used to calculate the authorization level shown in this estimate are consistent with the assumption that the new contract authority authorized in the bill would be obligated to the various subprograms in proportion to HUD's 1979 budget request.

To estimate the annual costs stemming from that part of the 1979 authorization allocated to section 8, assumptions must be made in three principal areas: the rate at which the new authority can be obligated and the housing units thus assisted can actually come under payment; current and future rent levels; and current and future ten-

ant income levels.

For this estimate it was assumed that all of the new authority which would be released in the bill would be approved in appropriations acts in fiscal year 1979 and that it would also be fully obligated in fiscal year 1979. The rate at which units assisted with 1979 authority actually come under payment is estimated from program experience.

These estimates range from 1 to 2 years for existing housing programs

to 3 and 4 years for programs involving new construction.

Once a section 8 assisted housing unit is occupied, federal outlays begin. These outlays are the difference between the rent level established under program procedures for that unit and a portion of the tenant family's income. In this estimate, the tenant contribution is assumed to be 25 percent. Rent levels for the section 8 programs in the initial payment year were assumed to be the same as HUD's estimates for fiscal 1979 adjusted for price increases. This adjustment was accomplished for the new construction programs using the CBO projection for increases in the costs of residential construction. For the existing housing programs, the CBO projection for increases in the rental component of the consumer price index was used. In the years following initial occupancy, rents for both the new construction and existing programs were adjusted using the CBO projections for rental CPI.

Tenant income levels for the different programs used in this report were estimated from information provided by HUD for fiscal year 1977. These 1977 incomes were increased for subsequent years using an index calculated for this estimate that relates the growth in income for the lowest quintile of family income to the CBO projections for

general economic growth.

Estimated costs for the public housing portion of the fiscal year 1979 authorizations depend upon construction schedule assumptions. The schedules used in this estimate were based on program experience. Once construction is complete, the full amount of allocated annual contract authority is assumed to be spent each year.

Section 203 of the bill also authorizes HUD to assist low-income families residing in mobile homes. This provision is expected to have

no appreciable cost impact over the 5-year estimate period.

This section of the bill authorizes the appropriation of \$729 million for public housing operating assistance. It was assumed that the full amount will be appropriated and that outlays will follow historical patterns.

The budget impact of Title II is summarized in the following table.

[By fiscal years, in millions of dollars]

		Fis	cal year—		
	1979	1980	1981	1982	1983
Fitle II:					
Financial assistance or certain housing projects:	24				
Authorization levelEstimated costs					
Annual contributions for assisted housing:	JŁ	22			
Authorization level	27, 782				
Estimated costs		100	261	507	918
Public housing operating assistance:	700				
Authotization levelEstimated costs		196			
Estimated Costs		400			
Total title II:					
Authorization level					
Estimated costs	303	608	261	507	118

¹ Estimated based on annual contract authority authorized.

TITLE III-PROGRAM AMENDMENTS AND EXTENSIONS

Title III of the bill extends for one year HUD's basic mortgage insurance and interest rate authority, and also extends the National Flood Insurance program. Amendments are made to certain sections of the National Housing Act and the Federal Home Loan Mortgage Corporation Act. These extensions and amendments are expected to have no appreciable budget impact. Title III also authorizes the appropriation of \$165 million to cover losses in the General Insurance Fund of the Federal Housing Administration (FHA). This money would be used to pay insurance claims and other liabilities of the fund. Without such an appropriation, these claims and liabilities would be paid with funds borrowed from the U.S. Treasury. Thus, this provision is expected to have no additional cost.

Comprehensive Planning Grants.—The bill authorizes to be appropriated \$65 million for fiscal year 1979 for the comprehensive planning grant program. The grants are used by State and local governments to collect basic housing and community development data and to prepare comprehensive development plans. The estimate of costs

is based on the historical experience of the program.

Research Authorizations.—The bill authorizes to be appropriated \$62 million for fiscal year 1979 for research programs related to various programs of the Department of Housing and Urban Development. The estimated costs of this provision are based on the historical

experience of the program.

Flood Insurance Studies.—The bill authorizes to be appropriated \$114 million for detailed elevation studies which will be used to determine actuarial premium rates in the National Flood Insurance program. The estimated costs are based on the historical experience

of this program to date.

National Institute of Building Science.—The bill provides that any amounts not appropriated under the authorizations for fiscal years 1977 and 1978 shall be available for appropriation through fiscal year 1979. To date, \$1 million has been appropriated of the \$10 million authorized for fiscal year 1977 and 1978; this leaves an authorization for appropriation of \$9 million for fiscal year 1979. It is highly unlikely that NIBS could obligate \$9 million in fiscal year 1979; therefore, for the purposes of this estimate, it is assumed that the appropriation will be available for obligation until expended and that the funds will be obligated at a rate of \$2 million per year until wholly obligated. Estimated costs are based on the experience to date of this program.

The budget impact of Title III is summarized in the following

table.

[By fiscal years, in millions of dollars]

		Fis	cal year—		
_	1979	1980	1981	1982	1983
Title III:					
Comprehensive planning grants:					
Authorization level	65				
Estimated costs	12	50	1	2	
Research:					
Authorization level	62				
Estimated costs	13	37	10	1	
Flood insurance studies:					
Authorization level	114				
Estimated costs	43	52∙	8	6	:
National Institute of Building Science:					
Authorization level	9			·2	
Estimated costs	2	2	2	2	
Total, title III:					
Authorization level	250				
Estimated costs	70	141	21	11	
Calimates costa ************************************	70	141	21	- 11	

TITLE IV-RURAL HOUSING

Title IV of the bill extends the authority of the Farmers Home Administration (FmHA) to make and insure loans for the purpose of providing housing in rural areas. In addition, certain provisions of current law would be amended increasing the limits on the amounts that can be loaned for specified uses. The bill also authorizes the appropriation of funds for FmHA's various grants and research programs. Section 406 of the bill authorizes a new program whereby FmHA could provide homeownership assistance (beyond that allowed in current

law) to low-income persons.

Rural Housing Loans.—Subject to the extensions and reauthorizations proposed in the bill and approved in appropriations acts, the Farmers Home Administration plans fiscal year 1979 loan obligations of \$3.6 billion. A substantial portion of this loan activity is intended to be at below-market rates. Once the obligated funds have been disbursed to the borrower, FmHA generally sells the loans, in the form of participation certificates, to the Federal Financing Bank. These certificates bear higher interest rates than the actual loans backing them and FmHA pays the difference from funds available from the Rural Housing Insurance Fund (RHIF). In estimating the cost of fiscal year 1979 loan activity, the CBO current policy assumptions were used. Under these assumptions, a given year's lending activity will result in costs of about 3.6 percent of the declining principal balance in each year the loans are in effect. Loan disbursal rates from fiscal year 1979 obligations were estimated from program experience. The authorization levels shown in this estimate for rural housing loans are those necessary to cover each year's estimated costs.

Rural Housing Grants and Research.—The bill authorizes the appropriation of \$64 million for FmHA's rural housing grants and research programs. It was assumed that the authorization would be fully appropriated and that outlays from the grants programs would follow historical patterns. The Housing and Community Development Act of 1977 directed the Secretary of Agriculture to establish an independent research capability within FmHA. Since there has not yet been time to assess the FmHA program, costs of the bill's research

authorization were estimated from HUD experience.

Low-income Homeownership Assistance.—Under current law, FmHA can provide interest credits on homeownership loans resulting in an effective interest rate to rural low income borrowers of one percent. For those very low-income borrowers who can not afford a dwelling even at a loan rate of one percent, the bill proposes an additional assistance program. The new program would be used only if suitable rental housing were not available and would operate in conjunction with FmHA's current interest credit homeownership programs. Payments would be based on the difference betwen 25 percent of the borrowers income and the sum of principal and interest payments (at a one percent interest rate), taxes, insurance, utilities and maintenance. FmHA would use the RHIF to pay the costs of this assistance. The bill limits the aggregate principal amount of loans to borrowers receiving assistance under this program to \$440 million. To estimate the costs of this provision, it was assumed that the loans would average \$27,500, the same as FmHA's current single-family loan activity. At \$27,500 each, the \$440 million principal limit would allow 16,000 loans to receive additional assistance under the new program. The 16,000 loans were assumed to be fully disbursed in the middle of fiscal year 1979. Based on information supplied by FmHA, it was estimated that participant incomes would vary from \$2,500 to \$8,500 per year and the additional annual assistance would range from \$375 to \$1,875 per loan. To determine the costs in fiscal years 1980 through 1983 of the loans made in fiscal year 1979, that portion of total housing expenses going to pay principal and interest was held constant and the balance increased by the CBO projections of changes in the rental component of the Consumer Price Index. The authorization levels shown for this program in the table below are those necessary to cover estimated costs in each year of fiscal year 1979's activity.

The budget impact of Title IV is summarized in the following

table.

[By fiscal years, in millions of dollars]

		Fis	cal year—		
	1979	1980	1981	1982	1983
Title IV:					
Rural housing loans:					
Authorization level 1	114	117	104	93	8:
Estimated costs	114	117	104	93	8
Rural housing grants and research;					
Authorization level	64				
Estimated costs	28	20	9	3	
Homeownership assistance program;					
Authorization level 1	6	16	17	18	1
Estimated costs	6	16	17	18	1
Total, title IV;					
Authorization level	184	133	121	111	ůU
Estimated costs	148	153	130	114	10

¹ Estimated.

TITLE V-CONGREGATE SERVICES

Title V of the bill would establish a new program which would provide additional assistance to the elderly and handicapped. Under the provisions of the bill, HUD is authorized to aid public housing agencies and sponsors of housing assisted under section 202 of the Housing Act of 1959 in furnishing personal services to eligible residents of such housing. These services must include fully nutritional meals, but can include such things as housekeeping and grooming aid as well. HUD would enter into renewable three-to-five year contracts with the participating agency or sponsor. The bill authorizes the appropriation of \$20 million in fiscal year 1979, \$25 million in fiscal year 1980, and \$35 million in fiscal year 1981. For this estimate, it was assumed that the full amount authorized would be appropriated in each year. It was further assumed that contracts would be of three years duration and that HUD would reserve the full amount thus obligated from the funds appropriated for the first contract year. It is estimated that obligation of funds would begin during the last half of fiscal year 1979 and that one-third of the obligated funds would be disbursed in each of the three years of the contract term.

The budget impact of Title V is summarized in the following table.

Title V—Congregate Services	
Fiscal year 1979:	Millions
Authorization level	_ \$20
Estimated costs	_ 3
Fiscal year 1980:	
Authorization level	_ 25
Estimated costs	_ 12
Fiscal year 1981:	
Authorization level	35
Estimated costs	_ 27
Fiscal year 1982:	
Authorization level	
Estimated costs	_ 23
Fiscal year 1983:	
Authorization level	
Estimated costs	15

TITLE VI—NEIGHBORHOOD REINVESTMENT CORPORATION

The purpose of this title is to establish a public corporation, the Neighborhood Reinvestment Corporation, to continue and expand upon the work of the Urban Reinvestment Task Force in establishing neighborhood housing service programs. For the purposes of this title, \$8.5 million is authorized for fiscal year 1979. The legislation leaves the distribution of funds authorized to the discretion of the corporation, but directs that the activities of the Urban Reinvestment Task Force be continued. Therefore, a likely budget for the new corporation was estimated based on the present activities of the task force. The funds are assumed to be 44 percent for corporation operation and 56 percent for grants. Technical assistance and Neighborhood Housing Service Development activities are assumed to comprise most of the operating budget while grants monies are assumed to be primarily for neighborhood housing services (both new programs and additions to existing programs). Funds for operations are primarily for salaries and would spend almost entirely in the year for which they were appropriated. Funds for grants would likely be committed in the year for which they were appropriated, but are estimated to require 2 years for disbursement. The spendout rate used in this estimate is 87 percent in fiscal year 1979 and 13 percent in fiscal year 1980.

The budget impact of Title VI is summarized in the following table.

$Title \ VI$	
Fiscal year 1979:	Millions
Authorization level	. \$9
Estimated costs	. 8
Fiscal year 1980:	
Authorization level	
Estimated costs	
Fiscal year 1981:	
Authorization level	
Estimated costs	
Fiscal year 1982:	
Authorization level	
Estimated costs	
Fiscal year 1983:	
Authorization level	
Estimated costs	

7. Estimate comparison: None.8. Previous CBO estimate: None.

9. Estimate prepared by: Brent Shipp and Terry Nelson.

10. Estimate approved by:

James L. Blum, Assistant Director for Budget Analysis.

INFLATIONARY IMPACT STATEMENT

Pursuant to Rule XI, Clause 2(1) (4) of the Rules of the House of Representatives, the committee makes the following statement regard-

ing the inflationary impact of the bill.

This legislation will modify and continue certain Federal laws relating to housing and community development. As such, it has potential impact upon the level of prices as well as productive activity. In general, these amendments are not expected to affect significantly the level of prices in the economy as a whole or in the construction industry. The proposed changes are essentially technical in nature and anticipated in the industry. Thus, it would be unlikely that new inflationary expectations would be generated by enactment of these amendments. Indeed, an objective common to several of the proposals is to conserve and salvage existing housing and neighborhoods. To the extent that such results are obtained, the legislation will help to save on labor, materials and capital funds that would otherwise be absorbed by replacement housing.

STATE OF ECONOMY

The economy is in its third year of recovery from the recession of 1975. The unemployment rate in April, 1978, was 6.0 percent, with 5.98 million persons out of work. Of these, 668,000 persons had been idle 6 months or longer, thus comprising a hard core of unemployed. The proportion of manufacturing capacity of American industry being utilized was estimated at 82.1 percent for the first quarter of 1978 compared with 81.2 percent in the first quarter of 1977.

In the construction industry, the unemployment rate in April, 1978, was 9.5 percent, with 469,000 persons out of work. This is a relatively

low rate for this industry. Not since the spring of 1974 has the unemployment rate among construction workers been in this comparatively low range. The value of construction in early 1978 was ahead of 1977. Housing starts in March, 1978, were at an annual rate of 2.07 million units, about the same as the March rate a year earlier.

INFLATIONARY PRESSURES

The underlying inflation rate for the economy as a whole is between 6 and 7 percent. The consumer price index in March, 1978, showed a rise of 6.5 percent over the previous year. This was less than the 11 percent increase in 1974 over 1973 but above a rate that businessmen and economists consider acceptable. Fuel and utility prices in housing were up 6.9 percent in March, 1978, over the previous year. The Boeckh index of construction costs for apartments, hotels, and office buildings showed a rise of 7.2 percent in January, 1978, over the preceding year. For residences (mostly one-family houses), the increase was 8.4

percent.

In the second quarter of 1978, prices in the economy were rising at a rate of 7 to 7.5 percent, but were expected to rise at a somewhat lower rate during the second half of the year. Reflecting these price increases and a comparatively strong demand for capital funds by private corporations and governments, interest rates were on the rise in the first half of 1978. The Federal funds rate rose from about 6.5 percent in the last quarter of 1977 to 7.25 percent and higher in the spring of 1978. Rates on seasoned high-grade industrial bonds (Moody's Aaa) averaged 8.43 percent in April, 1978, up from a 1977 average of 8.02 percent. The average yield on four-month commitments by the Federal National Mortgage Association to buy FHA/VA mortgages was 9.52 percent in early May, 1978, compared with 8.70 percent in May, 1977.

THE HOUSING OUTLOOK

Rising house prices and higher interest rates are expected to have a dampening effect on home sales and starts. The net inflow of funds to savings and loan associations in the first three months of 1978 was down 23 percent below the volume for the same period of 1977. This was bound to translate into lower housing activity in the second half of 1978. According to Otto Eckstein, "Housing starts, which peaked at 2.146 million units in the fourth quarter of 1977, will be down to 1.758 million units by early 1979." This is consistent with forecasts of other analysts.

IMPACT OF THE PROPOSED LEGISLATION

Title I of H.R. 12433 contains several amendments that would facilitate rehabilitation. The authorization for section 312 rehabilitation loans for the year beginning October 1, 1978, would be raised to \$245 million. This is a substantial increase over the current year's program level of \$80 million. Such loans tend to extend the useful life

¹ Review of the U.S. Economy, Data Resources, Inc., May, 1978, p. 1.3.

of older structures and thus reduce the volume of new construction needed to house adequately low- and moderate-income families. Savings in operating expenses on such properties may also result from a new provision that would make such loans conditional upon a finding that the improvements would meet cost-effective energy conservation standards set forth by the Secretary of Housing and Urban Development. Rehabilitation would also be encouraged by changes proposed under a new section 203(k), which would make feasible loans on existing one- to four-family structures. The Government National Mortgage Association would be authorized to purchase these loans.

Another provision of Title I would permit a modest expansion of the urban homesteading program to \$25 million for fiscal 1979. This program has the effect of salvaging unoccupied properties and pre-

venting premature loss of existing housing.

Title II includes a new program of financial aid for troubled multifamily housing developments. The purpose is to restore to financial soundness and prudent management and to keep available to low- and moderate-income families certain projects that are having difficulty covering operating expenses or falling into disrepair. The bill would authorize \$74 million in fiscal 1979 for this purpose. Without this support, thousands of units built within the past 20 years for lower income families might be lost. Thus, the assistance will help to conserve in suitable condition a substantial stock of housing for families who cannot afford prevailing market rents.

This title also authorizes \$1,195,043,000 in additional annual contributions contracts for public housing and section 8 housing in fiscal 1979. The funds must be released in an appropriation act. If the full amount is appropriated, reservations will be possible for 370,000 to 400,000 units. This is close to the levels projected in the last two years. The new units contained within these totals have already been entered into the projections of housing starts made by market economists. Thus, no new inflationary expectations would be generated by this

authorization.

Title III extends a large number of HUD and HUD-FHA mortgages or loan insurance programs that would otherwise expire on September 30, 1978. None of these is deemed to have inflationary impact on the general economy. The same appears to be the case in connection with authorizations included for comprehensive planning (\$65 million), research, study and demonstration programs (\$62 million), flood insurance studies and surveys (\$114 million), and the increase in funds authorized to be appropriated to cover losses of the FHA General Insurance Fund (\$165 million).

Another provision in this title permits increases in the mortgage amounts that may be purchased by the Government National Mortgage Association under section 305 of the National Housing Act. The increases (for example, \$50,000 for a one-family residence) essentially

recognize market realities.

Title IV contains a number of provisions bearing on rural housing. Title V would encourage the provision of supportive services for congregate housing. Title VI establishes a National Neighborhood Reinvestment Corporation to assist in the revitalization of older urban neighborhoods. For fiscal 1979 an appropriation of \$8.5 million to the

new Corporation is authorized. None of the provisions in Titles IV, V or VI is believed to have significant inflationary implications for the general economy.

Section-by-Section Summary of H.R. 12433, as Amended, Housing and Community Development Amendments of 1978

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

Rehabilitation Loans

Section 101(a) of the bill would amend section 312(a) of the Housing Act of 1964 to give priority to applications from low and moderate income inviduals who own and plan to live in the rehabilitated property and to applications from owners of condominiums and co-

operatives in which low and moderate income persons live.

Section 312(c)(3)(A) would be amended to provide the Secretary with flexible authority to establish a rate of interest higher than the current 3 percent ceiling for loans which will primarily benefit persons whose annual income exceeds 95 percent of the median for the area. This rate could not exceed the current Treasury borrowing rate and would be established in the Secretary's discretion after considering the condition, location and anticipated use of the property, the nature of the proposed rehabilitation and income of the applicant.

Section 312(c)(4)(B) of such Act would be amended to increase from \$50,000 to \$100,000 the maximum rehabilitation loan amount

for nonresidential properties.

Section 312(d) of such Act would be amended to authorize appropriations of not to exceed \$245,000,000 for the fiscal year beginning on October 1, 1978, for the section 312 rehabilitation loan program.

A new subsection (i) would be added to section 312 of such Act to require that after 180 days following the enactment of this subsection a section 312 rehabilitation loan would not be made unless the Secretary had determined that the improvement to the property, upon completion of the rehabilitation, would meet cost-effective energy conservation standards prescribed by the Secretary.

Rehabilitation Loan Insurance

Section 101(b) would replace section 203(k) of the National Housing Act with a new section 203(k) which would permit the Secretary to insure and to make commitments to insure rehabilitation loans for one-to-four family structures used primarily for residential purposes. The term "rehabilitation loan" would mean a loan, advance of credit, or the purchase of an obligation representing a loan or advance of credit made for the purpose of financing either: (1) the rehabilitation of an existing one-to-four family structure used primarily for residential purposes; (2) the rehabilitation of a one-to-four family structure and the refinancing of the outstanding indebtedness on the structure and the real property on which it is located; or (3) the purchase of the one-to-four family structure and the real property on which it is located and the rehabilitation of the structure. "Rehabilitation" would mean the improvement of a structure and related facilities including improvements designed to meet cost-effective energy conser-

vation standards prescribed by the Secretary and may include improvements required by applicable local codes, a community devel-

opment plan or a statewide property insurance plan.

To be eligible for insurance under this subsection, a rehabilitation loan would involve a principal obligation which, when added to any outstanding indebtedness of the borrower secured by the structure and the property on which it is located, could not exceed the mortgage limits established in section 203(b)(2) of the National Housing Act; except that for purposes of determining the amount of the principal obligation eligible for the rehabilitation loan insurance, the appraised value of the property shall include the sum of the estimated cost of rehabilitaion and the Secretary's estimate of the value of the property prior to rehabilitation. In addition, the loan would have to bear interest at a rate permitted by the Secretary for mortgages insured under section 203 of the National Housing Act except that a higher rate of interest may be applied to the loan during the period between the date the loan is made and the date the rehabilitaion is completed. The loan must be an acceptable risk, as determined by the Secretary and must comply with such other terms, restrictions and conditions as prescribed by the Secretary. In addition, the insured rehabilitation loan may be refinanced and extended up to the maximum amount or term provided in section 203, under conditions prescribed by the Secretary.

All funds received and disbursements made pursuant to this subsection would be credited or charged to the General Insurance Fund and insurance benefits would be paid in cash or in debentures executed in the name of such Fund and in accordance with procedures established under paragraphs (6) and (7) of section 220(h) of the National

Housing Act.

Section 101(b)(2) would permit the premium charges fixed for rehabilitation loan insurance under section 203(k) to be different from premiums fixed for mortgages insured under other provisions of section 203, except that in no case could the premium charges for 203(k) exceed one percent per year.

Section 101(b) (3) would permit the Government National Mortgage Association to purchase rehabilitation loans insured under sec-

tion 203(k).

Urban Homesteading

Section 102 of the bill would amend section 810(g) of the Housing and Community Development Act of 1974 to authorize appropriations of not to exceed \$25,000,000 for the fiscal year 1979 for the urban homesteading program.

Community Development Block Grant Program Amendments

Section 103(a) of the bill would amend section 104(a) (4) (B) (i) of the Housing and Community Development Act of 1974 to require communities, in developing realistic annual goals as part of their required housing assistance plans, to include the relative proportion of existing dwelling units to be upgraded and thereby preserved, as well as the relative proportion of new, rehabilitated and existing units to be assisted.

Section 103(b) would amend section 104(a) to clarify that in estimating the number of persons who could be expected to reside in the community for the purposes of their HAPs, localities are to use estimates of persons who work or will work in the community.

Section 103(c) would amend section 104(c) to expressly state that the three main objectives of the CDBG program are co-equal and that the Secretary may not disapprove an application because it addresses any one of the primary purposes to a greater or lesser degree than

any other.

Section 103(d) of the bill would amend section 105(a) (11) of such Act to revise the current provision under which the making of relocation payments is an eligible community development block grant program activity only where the displacement is a result of other activities assisted under that program. Instead, such payments would be permitted when determined by the grantee to be appropriate to its community development program.

Section 104 of the bill would establish October 1, 1978, as the effec-

tive date of amendments made by this title.

TITLE II-HOUSING ASSISTANCE PROGRAMS

Financial Assistance for Certain Housing Projects

Section 201 of the bill would establish a new program of financial

assistance for troubled multifamily housing projects.

Section 201(a) would set forth as the purpose of this section the improvement of the management of certain projects covered or formerly covered by mortgages insured or assisted under the National Housing Act in order to restore or maintain the financial soundness of such projects while maintaining their low- and moderate-income character.

Section 201(b) would authorize the Secretary to make and to contract to make, on a fiscal year basis and in accordance with the provisions of this section, assistance payments to owners of rental or cooperative housing projects meeting the requirements of this section.

Section 201(c) would provide that a rental or cooperative housing project shall be eligible for assistance under this section only if the project (1) is covered by a mortgage (including a mortgage assigned to the Secretary) insured under the National Housing Act or assisted under that Act's section 236 or section 221(d) (3) BMIR programs, or under the rent supplement program under section 101 of the Housing and Urban Development Act of 1965 or (2) meets the criteria specified above and has been acquired and sold by the Secretary, subject to a mortgage insured or held by the Secretary and subject to an agreement to maintain the low- and moderate-income character of the project, and (3) meets such other requirements as prescribed by the Secretary. For projects sold after October 1, 1978, assistance would be limited to two years.

Section 201(d) would provide that no assistance could be made under this section unless the Secretary determines that (1) such assistance, when considered with other resources available, is necessary to restore or maintain the financial soundness of the project and to maintain its low and moderate income character; (2) such assistance which

could be expected to be provided over the useful life of the project will be less costly to the Federal Government than other reasonable alternatives designed to maintain the low and moderate income character of the project; (3) the project is structurally sound; (4) the community has shown a commitment to provide essential services; (5) the real estate taxes on the project are not greater than they should be if the property were assessed according to the normal assessment procedures established in the community where the property is located; (6) the project is being managed by persons who meet minimum levels of competency and experience as prescribed by the Secretary; (7) the project is being operated and managed in accordance with a Secretary approved management-improvement and operating plan for reducing operating costs and which includes a detailed maintenance schedule, a schedule for correcting past deficiencies in maintenance, repairs and replacements, a plan to upgrade the project to meet cost-effective energy efficiency standards prescribed by the Secretary, a plan to improve financial and management control systems, a detailed annual operating budget including operating cost standards for projects in the same area as the assisted project, and such other requirements as determined by the Secretary; and (8) that the appropriate local government has been consulted to assure consistency with its plans and priorities.

Section 201(e) (1) would permit the Secretary to provide assistance under this section annually and in an amount which is consistent with the required management improvement and operating plan and which does not exceed the sum (a) necessary to correct deficiencies which were caused by the deferral of regularly scheduled maintenance, repairs and equipment and component replacements, and which exist at the beginning of the first year for which this assistance is made available to the project; (b) necessary to make up deficiencies in the project's capital replacement reserve fund in order to maintain the low- and moderate-income character of the project; and (c) an amount by which the estimated operating expenses exceed the esti-

mated annual revenues.

Section 201(e)(2) would provide that any estimated annual revenues for any project shall equal the sum of the estimated amounts of (1) the rent to be paid by tenants, including at least 25 percent of the income of each tenant or a lesser amount for a tenant paying his or her own utilities, but not more than the fair market rent; (2) rental assistance, other than assistance made under this section, to be made on behalf of such tenants; (3) the section 221(d)(5) or section 236 assistance payments to be made to the owner of such project; and (4) other income attributable to the project. In computing the estimated rent to be paid by tenants and the estimated rental assisance payments to be made on behalf of such tenants, the Secretary may permit a delinquency and vacancy allowance of not more than 6 percent except that in the first two years of assistance the Secretary may increase the allowance in order to carry out the purposes of this section. The estimated operating expenses of any assisted project would include all costs necessary and consistent with the management-improvementand-operating plan for the project including, but not limited to, taxes, utilities, maintenance and repairs (other than those which should have

been performed in prior years), management, insurance, debt service and a reserve fund for replacements. A return on the equity investment of the owner may not be included in the estimated operating

expenses.

Section 201(e)(3) would require the Secretary to make assistance payments at least quarterly, in any amount which is consistent with the purposes of this section and which does not exceed the total specified in the first paragraph of this subsection. At the time of each payment the Secretary is to review project operations for consistency with the

management-improvement-operating plan.

Section 201(f) would give the Secretary discretion, notwithstanding the provisions of section 236(f)(1) of the National Housing Act, to provide that, for purposes of establishing a rental charge under section 236(f)(1) of that Act, there may be excluded from the computation of the cost of operating a project an amount equivalent to the amount of assistance payments available for such project pursuant to section 201 of this Act. Under section 236(f)(1), rental charges are established on the basis of the cost of operating the project at specified interest rates, and each resident of the project, regardless of income, is required to pay at least the minimum rental charge established on the basis of the cost of operating the project with payments of principal and interest with an annual interest rate of one percent. The proposed provision would enable the Secretary to provide a mechanism for avoiding rental increases attributable to increased operating costs which otherwise would be required under section 236(f)(1).

Section 201(g) would authorize the Secretary to issue the rules and

regulations necessary to carry out provisions of this section.

Section 201(h) would authorize appropriations for the purpose of making payments under this section of not to exceed \$74,000,000 for fiscal year 1979. These funds would be in addition to any amounts appropriated for use under this section from the section 236 excess rental charge reserve fund created by the Secretary in section 236(g) of the Act.

Section 201(i) would amend section 236(f)(3) and (g) so that, effective October 1, 1978, the section 236 operating subsidy program would be replaced by the new program authorized under this section. All rental charges collected in excess of the basic rental charges for a 236 project would continue to be credited to a reserve fund created by the Secretary pursuant to section 236(g) but payments from that fund could only be used to carry out the program created by this section. Those payments could only be made if approved in an appropriation Act for fiscal year 1979.

Housing for the Elderly and the Handicapped

Section 202(a) would amend section 202 of the Housing Act of 1959 by adding a new subsection (h) to provide that, of the amounts made available in appropriation Acts for loans pursuant to section 202 for housing for the elderly or handicapped for the fiscal year commencing on October 1, 1978, not less than \$50,000,000 shall be available for loans for the development of rental housing and related facilities specifically designed to meet the needs of handicapped (primarily non-elderly) persons. The new subsection also would require the Secretary

to take such steps as may be necessary to assure that (1) funds made available under the new subsection will be used to support innovative methods of meeting the needs of handicapped persons by providing a variety of housing options, ranging from small group homes to independent living complexes; and (2) housing and related facilities assisted under the new subsection will provide handicapped persons occupying units within such housing with an assured range of services and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access by such persons to the community at large and to suitable employment opportunities within such community.

Section 202(b) would amend section 202(a) (4) (c) of the Housing Act of 1959 to make funds available without regard to any fiscal year.

Section 202(c) would amend section 202(d)(3) of the Housing Act of 1959 to include as a development cost, the cost of such moveables that are necessary to the basic operation of the project as determined

by the Secretary.

Section 202(d) would amend section 202(d)(2) of the Housing Act of 1959 to provide that a corporation eligible to receive a section 202 loan must have a governing board whose membership has been selected in a manner which assures significant representation of the views of the community in which the project is located and which is responsible for the operation of the assisted project.

Low Income Housing

Section 203(a)(1) and (2) of the bill would amend section 5(c) of the United States Housing Act of 1937 (hereinafter the "1937 Act") to provide, subject to release in an appropriation Act, additional annual contributions contract authority for the public housing and section 8 housing assistance payments programs in an amount of \$1,195,-

043,000 on October 1, 1978.

Section 203(a)(3) and (4) of the bill would strike the second and amend the fourth sentences of section 5(c) of the 1937 Act, so that the set-asides provided under these sentences for (1) low income housing projects permanently financed by loans from state housing finance agencies or state development agencies, (2) low income housing projects permanently financed by loans for housing for elderly or handicapped pursuant to section 202 of the Housing Act of 1959, and (3) for the modernization of low income housing projects would be deleted as of October 1, 1978.

Section 203(b) of the bill would amend section 8(d)(1)(B) of the 1937 Act to require that contracts to make section 8 housing assistance payments entered into by public housing agencies with owners of existing housing units shall provide that the owner shall have the right to give notice to vacate, in accordance with state and local laws which the Secretary has determined provide adequate protection for tenants and in accordance with the determination of the public housing agency pursuant to review procedures which the Secretary has determined provide such protection.

Section 203(c) of the bill would amend section 8 of the 1937 Act by adding a new subsection (1) which would authorize the Secretary, in entering into contracts with respect to substantially rehabilitated

dwelling units, to provide that the maximum monthly rent permitted for assisted units may not be greater than the fair market rent permitted for new or existing units under subsection 8(c) or such lesser amount considering the owner's investment in the assisted units and other factors determined to be relevant by the Secretary. The assisted units would be rehabilitated to a level which meets but does not exceed the standards, including applicable codes, prescribed by the Secretary for decent, safe, and sanitary housing. All dwelling units in the housing structure in which the assisted units are located would have to meet the same standards prescribed by the Secretary. The term of the assistance contract would not exceed a maximum term of 30 years (or 40 years in the case of a project owned by or financed by a loan or loan guarantee from a state, or local agency or the Farmers Home Administration) or such shorter term which the Secretary determines is appropriate considering the investment of the owner in the assisted units and other factors determined by the Secretary to be relevant. Any substantially rehabilitated units assisted under this section must meet cost-effective energy-efficiency standards prescribed by the Secretary.

Section 203(c) (2) of the bill would make the amendments effective with respect to assistance contracts entered into on or after 180 days

of enactment.

Section 203(d) of the bill would add a new subsection to section 8 of the 1937 Act to permit annual contributions contracts with public housing agencies or the owners of real property rented by low income mobile home owners, for section 8 assistance on behalf of lower income owners of mobile homes who rent the space on which their mobile home is located. The Secretary is directed to establish at least annually, maximum monthly rent for the real property on which the mobile home will be located and which is suitable for occupancy by low income families. The maximum rent shall not exceed by more than 10 percent the fair market monthly rent (including maintenance and management charges) established by the Secretary for the rental of such real property in the market area. The adjustments of maximum monthly rents would be accomplished as provided under existing law in subsection (c) (2).

The maximum amount of any monthly assistance paid to any family under this subsection would be the difference between 25 percent of the family's monthly income and the sum of (1) the monthly payment made by the family to amortize the cost of purchasing their mobile home, (2) reasonable utility costs, and (3) the maximum monthly amount established by the Secretary for the rental of space on which to locate the mobile home, except that in no case may such payment exceed the total amount of the allowable maximum monthly rent. The contract term would be a mainimum of one month and no more than fifteen years. The Secretary may prescribe other terms consistent with

the purposes of this subsection.

Section 203(e) of the bill would amend section 9(c) of the 1937 Act to provide additional appropriations authorizations of not to exceed \$729,000,000 on or after October 1, 1978, for operating subsidies for

public housing projects pursuant to that Act.

Section 203(f) of the bill would require that with the exception of the amendments dealing with section 8 substantial rehabilitation, (which amendments become effective within 180 days of enactment) the amendments to title II of the bill become effective on October 1, 1978.

TITLE III-PROGRAM AMENDMENTS AND EXTENTIONS

Extension of Federal Housing Administration Mortgage Insurance Programs

Section 301 of the bill would extend for one year the authority of the Secretary of Housing and Urban Development to insure mortgages or loans under certain HUD-FHA mortgages or loan insurance programs contained in the National Housing Act. Under existing law, these authorities will expire on September 30, 1978.

Subsection (a) of this section would extend, through September 30, 1979, authority for title I—property improvement and mobile home

loan insurance.

Subsection (b) would extend, through September 30, 1979, the Secretary's general mortgage insurance authorization under section 217. This authorization specifies the period of time (through September 30, 1978, under existing law) during which loans or mortgages may be insured under various HUD-FHA insuring authorities. It includes: section 203—basic home mortgage insurance; section 207 rental housing insurance; section 213—cooperative housing insurance; section 220—rehabilitation and neighborhood conservation housing insurance; section 222—mortgage insurance for servicemen; section 223—miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects; section 231—housing for the elderly; section 232—nursing homes; section 233—experimental housing; section 234—condominiums; section 237—special risk mortgages; section 240—homeowner purchases of fee simple title; section 241—supplemental loans for multifamily housing projects; section 242—hospitals; and section 243—homeownership for middle-income families.

Subsection (c) would extend, through September 30, 1979, the authority for section 221—housing for moderate income and displaced

families.

Subsections (d) and (e) would extend, through September 30, 1979, respectively, the authority with respect to section 235—homeownership for lower income families and the authority with respect to section 236—rental and cooperative housing for lower income families.

Subsection (f)(1) would extend, through September 30, 1979, the insuring authority with respect to section 244—mortgage insurance

on a co-insurance basis.

Subsection (f)(2) would provide for a parallel extension of the period during which statutory percentage limitations apply with respect to the aggregate principal amount of mortgages insured pursuant to section 244.

Subsection (g) would extend through September 30, 1979, the Secretary's authority under section 245 to insure graduated payment

mortgages and loans.

Subsections (h), (i), (j), and (k) would extend, for an additional year, authorities with respect to title VIII—Armed Forces-related housing (subsections (h) and (i)), title X—land development (subsection (j)), and title XI—group practice facilities (subsection (k)).

Extension of Flexible Interest Rate Authority

Section 302 of the bill would extend, through September 30, 1979, the Secretary's authority administratively to set interest rates for

FHA-insured mortgage loans to meet the market at rates above the statutory maximum. Under existing law, this authority to set rates above the statutory 6 percent maximum will expire on September 30,

Extension of Emergency Home Purchase Assistance Act of 1974

Section 303 of the bill would extend, from October 1, 1978, to October 1, 1979, the authority of the Government National Mortgage Association to enter into new commitments to purchase mortgages under the interim mortgage purchase authority contained in section 313 of the National Housing Act, as added by the Emergency Home Purchase Assistance Act of 1974.

Comprehensive Planning

Section 304(a) of the bill would amend section 701(e) of the Housing Act of 1954 by authorizing the appropriation of not to exceed \$65,000,000 for fiscal year 1979 for the section 701 comprehensive planning assistance program.

Section 304(b) would amend section 701(c) of such Act to require a review by recipients of comprehensive planning assistance of their plans for necessary or desirable amendments at least every three years, rather than at least every two years as is required under existing law.

Section 304(c) would amend section 701(d)(2) of such Act to require applicants for such assistance to submit to the Secretary at least every three years, rather than biennially, a progress report and report

on the status of their comprehensive planning programs.

Section 304(d) would amend section 701(m) of such Act to define the term "Indian tribal group or body" as used in section 701 to mean "any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512)." This definition is the same as the definition of "Indian Tribe" under title I of the Housing and Community Development Act of 1974.

Research Authorizations

Section 305(a) of the bill would amend section 501 of the Housing and Urban Development Act of 1970 to authorize appropriations of not to exceed \$62,000,000 for fiscal year 1979 for HUD research, study

and demonstration programs under title V of that Act.

Section 305(b) would amend title V of the Housing and Urban Development Act of 1970 by adding a new section 510 which would authorize the Secretary, in carrying out activities under section 501, to conduct demonstrations to determine the feasibility of expanding homeownership opportunities in urban areas and encouraging the creation and maintenance of decent, safe and sanitary housing in such areas through the conversion of multifamily housing properties to condominium or cooperative ownership by individuals and families.

Section 305(c) would direct Secretary to conduct a study of the feasibility of underground residential housing construction and changes in housing codes and financing techniques which may be neces-

sary to facilitate this construction method.

New Communities

Section 306 of the bill would amend section 720 of the Housing and Urban Development Act of 1970 to extend, from October 1, 1978, to October 1, 1979, the authority of the Secretary to make special planning assistance grants to private new community developers and State land development agencies for planning new community development programs.

Extension of Crime Insurance and Riot Reinsurance Programs

Section 307(a) of the bill would amend section 1201 of the National Housing Act to (1) extend, from September 30, 1978, to September 30, 1979, the authority of the Secretary of HUD to provide new Federal crime insurance and riot reinsurance coverages, (2) extend, from September 30, 1981, to September 30, 1982, the Secretary's authority to continue existing reinsurance and direct insurance coverages, and (3) extend, from September 30, 1978, to September 30, 1979, the date on which the Secretary should submit to the Congress a plan for the liquidation and termination of the crime insurance and riot reinsur-

ance programs.

Section 307(b) of the bill would amend section 1211(b) of the National Housing Act to require that, as of January 31, 1979, no risk covered by a statewide FAIR Plan shall be insured at a rate higher than that set by the principal State-licensed rating organization for essential property insurance in the voluntary market. When charges for substandard physical conditions within the control of the person applying for insurance are set by the State-licensed insurance rating organization for the voluntary market, those charges may be applied in a non-discriminatory manner to similar conditions existing for a risk covered by a statewide FAIR Plan.

Section 307(c) of the bill would add a new subsection (c) to section 1211 of the National Housing Act to require that one-third of the voting members of governing and advisory boards and committees for each State FAIR Plan be persons other than individuals employed in

or affiliated with the insurance industry.

Extension of National Flood Insurance Program

Section 308(a) of the bill would amend section 1319 of the National Flood Insurance Act of 1968 to extend, from September 30, 1978, to September 30, 1979, the period during which the Secretary may enter into new flood insurance contracts under the National Flood Insurance

Program.

Section 308(b) would amend section 1336(a) of that Act to extend, from September 30, 1978, to September 30, 1979, the Secretary's authority to provide subsidized flood insurance under the "emergency program" in communities which have adopted minimum flood plain management measures and for which the necessary actuarial rate and flood hazard elevation studies have not yet been completed.

Flood Insurance Studies

Section 309 of the bill would amend section 1376(c) of the National Flood Insurance Act of 1968 to authorize the appropriation of not to exceed \$114 million for fiscal year 1979 for flood insurance studies and surveys under that Act.

Report on Mobile Home Construction and Safety Standards

Section 310 of the bill would amend section 626(a) of the National Mobile Home Construction and Safety Standards Act of 1974 to require a report to be submitted to the Congress on the mobile home safety standards program on July 1 of every other year beginning with calendar year 1978, rather than on March 1 of each year.

Multi-Family Mortgage Insurance

Section 311(a) of the bill would amend section 207(c) of the National Housing Act by reducing, from 8 to 5, the minimum number of family units which must be included in a property covered by a project

mortgage insured under section 207.

Section 311(b) of the bill would amend section 241(d) of that Act to authorize the Secretary of HUD to bid, in the foreclosure sale of a property covered by a senior non-FHA-insured mortgage or loan with respect to which the Secretary has made a supplemental loan under section 241, an amount up to but not in excess of the total unpaid indebtedness secured by such senior mortgage plus taxes, insurance, foreclosure costs, fees and other expenses; however, no bid could be made unless the Secretary determined that proceeds from future disposition of the project or facility could reasonably be expected to equal or exceed the cost of acquiring title, eliminating prior debt or liability, paying insurance claims, and managing and preparing the property for sale. If the Secretary acquires title to or is assigned a loan covering a project subject to a non-FHA-insured mortgage, the Secretary would be authorized to make payments from the General Insurance Fund and to take such other steps as may be deemed appropriate to preserve or protect the Secretary's interest in the property.

Mortgage Insurance for Nonresident Care Facilities

Section 312 of the bill would amend section 232 of the National Housing Act to provide that nursing homes or intermediate care facilities covered by mortgages insured under that section may include such additional facilities as may be authorized by the Secretary for the nonresident care of elderly persons and others who are able to live independently but who require during the day.

Condominium Mortgage Insurance

Section 313(a) of the bill would amend section 234(c) of the National Housing Act to authorize the Secretary of HUD to insure one-family condominium units in non-FHA-insured multifamily projects containing 12 or more units if construction of the projects was completed more than a year prior to the application for mortgage insurance. This provision expands the availability of insurance under existing law where FHA mortgage insurance is available for single-family condominium units in non-FHA-insured multifamily projects only where the project involves eleven or less units.

Section 313(b) of the bill would amend section 234(c) of the National Housing Act to permit the Secretary, in the case of a veteran, to insure up to 100 percent of the first \$25,000 of appraised value of a condominium unit covered by a mortgage insured under that section. Existing law authorizes insurance under section 234 of mortgages involving a principal obligation of 97 percent of the first \$25,000 of

appraised value, whether or not the mortgagor is a veteran.

FHA Insurance Funds

Section 314 of the bill would amend section 519 of the National Housing Act to increase by \$165,000,000 on October 1, 1978, the \$1.341 billion limitation on appropriations authorized to cover losses of the General Insurance Fund.

Purchase of Fee Simple Title

Section 315 of the bill would amend section 240(c)(2) of the National Housing Act to increase the maximum amount of a loan insurable under that section in the case of property located in Hawaii. Section 240 authorizes the Secretary to insure loans for purchase of fee simple title from lessors by homeowners leasing under a long-term ground lease, and presently requires that a loan eligible for insurance under that section shall not exceed the cost of purchasing fee simple title or \$10,000 per family unit, whichever is the lesser. The amendment would increase the \$10,000 per family unit limit under existing law to \$30,000 in the case of properties located in Hawaii.

HUD Day Care Center Facilities

Section 316 of the bill would amend section 7(a) of the Department of Housing and Urban Development Act to authorize the Secretary of HUD to establish one or more day care center facilities for the purpose of serving children who are members of households of employees of the Department, and to establish appropriate fees and charges for these facilities. Under existing law, the Secretary is authorized only to establish a single such facility and to establish appropriate fees and charges.

Sales of Surplus Federal Land for Housing

Section 317(a) of the bill would amend section 414(a) of the Housing and Urban Development Act of 1969 to authorize, in the discretion of the Administrator of General Services, the transfer of Federal surplus real property to the Secretary of HUD for sale or lease by the Secretary at its fair value for use in the provision of housing to be occupied predominantly by families or individuals of low and moderate income, assisted or to be assisted under a Federal housing assistance program administered by the Secretary, or under a State or local program having the same general purpose, and for related public, commercial or industrial facilities approved by the Secretary.

Under existing law, Federal surplus real property may be transferred to the Secretary only for use in connection with a low-rent housing project assisted under the United States Housing Act of 1937 (or an equivalent State or local program), or housing assisted by rent supplement payments under section 101 of the Housing and Urban Development Act of 1965, below market interest rates under the proviso of section 221(d)(5) of the National Housing Act, or interest reduction payments under sections 235 or 236 of the National Housing

Act.

Section 317(b) of the bill would revise section 414(b) of such Act to require that, in the case of disposition of surplus property to an entity other than a public body, the Secretary obtain such understandings as the Secretary considered appropriate to assure that the property transferred will be used, to the maximum practicable extent, for providing low and moderate income housing and related facilities for a period of not less than 30 years. Existing section 414(b) requires assurances that the property will be used for providing low or moderate income housing for a period of not less than 40 years. This revision continues the requirement under existing law that the property revert to the United States (or in the case of leased property, the lease be terminated) if the property is not used for such purpose during the specified period, unless after the first twenty years of such period use for another purpose is approved by the Secretary and the Administrator of General Services. This section would delete the requirement under existing law for notification to the Congress of any disposition and of approval of any change in the use of any property disposed of under the section.

Increase in GNMA Mortgage Purchase Authority and Limits

Section 318 of the bill would amend section 302(b)(1) of the National Housing Act to increase the maximum original principal obligation of most mortgages which may be purchased by the Government National Mortgage Association under section 305 of the National Housing Act (special assistance) to \$50,000 for a one-family residence; \$55,000 for a two- or three-family residence; \$62,500 for a four-family residence, and, in the case of property containing more than four dwelling units, to \$38,000 per dwelling unit (\$45,000 in high cost areas) for that part of the property attributable to dwelling use. Under existing law, the maximum original principal obligation on any mortgage purchased by GNMA under section 305 is generally \$33,000 (\$38,000 in high cost areas) for each family residence or dwelling unit covered by the mortgage, plus an additional \$2,500 for each such residence or unit which has four or more bedrooms.

National Institute of Building Sciences

Section 319 would amend section 809(h) of the Housing and Community Development Act of 1974 to allow any amounts not appropriated for fiscal years 1977 and 1978 for the National Institute of Building Sciences to remain available for appropriation through fiscal year 1979.

Title I Home Improvement Loans for Multifamily Dwellings

Section 320 would amend section 2(b) of the National Housing Act to increase the maximum property improvement loan which could be insured with respect to a multifamily structure from \$25,000 to \$37,500. The loan ceilings within this maximum would also be increased from \$5,000 to \$7,500 per unit and the maximum repayment period extended from twelve years and thirty-two days to fifteen years and thirty-two days.

Amendments to the Federal Home Loan Mortgage Corporation Act

Section 321 would amend section 305 of the Federal Home Loan Mortgage Corporation Act to provide that mortgage lenders approved by the Secretary of HUD for participation in any insurance program under the National Housing Act may sell loans directly to the Federal Home Loan Mortgage Corporation (the "Corporation") to clarify the authority of the Corporation to specify necessary requirements in that connection, to provide guidance to the Corporation in the exercise

of that authority, and to provide an effective date for the changes made by this amendment.

Section 321(a) would extend the authority of the Corporation under section 305 of its Corporation Act to purchase, and make commitments to purchase, residential mortgages from any mortgagee approved by the Secretary of HUD for participation in mortgage insurance pro-

grams authorized by the National Housing Act.

Section 321(b) would further amend section 305 of the Corporation Act by adding several new sentences providing that the Corporation may establish requirements, impose charges or fees for different classes of sellers or servicers, and classify sellers and servicers according to type, size, location, assets or such other basis or bases of differentiation it considers necessary or appropriate to carry out the purposes of the Act. The requirements which the Corporation may specify include, but are not limited to, minimum net worth, supervisory mechanisms, warranty compensation mechanisms, prior approval of facilities, prior origination and servicing experience with respect to different types of mortgages, capital contributions and substitutes, mortgage purchase volume limits, and reduction of mortgage purchases during periods of borrowing. The Corporation would not be required to make available to any particular type of seller programs involving prior approval of mortgages, optional delivery of mortgages and purchase of other than conventional mortgages to an extent greater than it makes such programs available to other types of sellers. Any of the requirements, fees or classifications which the Corporation makes as a result of the authority created by this section would have to bear a rational relationship to the purpose or provisions of the Act, but would not be considered discriminatory solely because of different effects which they might have on different types of eligible sellers. The Corporation would be required to make reasonable efforts to encourage participation in its programs by each type of eligible seller.

Section 321(c) would provide that these amendments would become effective 210 calendar days after enactment, but not before January 31, 1979, or an earlier date which the Corporation could select.

Sale of Acquired Property to Cooperatives

Section 322 would amend section 246 of the National Housing Act to provide the Secretary the discretionary authority to extend to consumer cooperatives, not all of whose membership may intend to reside in a particular dwelling, the same authority which now exists with respect to cooperatives which restrict permanent occupancy of a dwelling to members, the opportunity to purchase Secretary-owned projects with the Secretary holding a purchase money mortgage. The Secretary is also given the authority to insure a mortgage made in conjunction with such a sale.

Secondary Mortgages on Insured Properties

Section 323 would add a new section 528 to the National Housing Act which would provide that in insuring mortgages secured by one-to four-dwelling units, the Secretary could not deny such insurance solely because the dwelling unit will also be subject to a secondary mortgage or loan made, insured or held by a state or local governmental agency with terms and conditions approved by the Secretary.

TITLE IV-RURAL HOUSING

Authorizations

Section 401(a) would authorize an increase in the cumulative level of appropriations in the section 504 rehabilitation loan and grant program for fiscal year 1979 from \$105 million to \$150 million and would similarly authorize an increase in the cumulative level of appropriations in the section 516 domestic farm labor housing grant program for fiscal year 1979 from \$105 million to \$115 million: additionally the subsection would authorize \$10 million to be appropriated for research activities authorized under subsections (b), (c), and (d) of section 506 for fiscal year 1979.

Subsection (b) of section 401 would increase from \$25 million to \$38 million the limit for loans under the section 514 domestic farm

labor loan program.

Section 401(c) and (d) would extend through fiscal year 1979 the period during which loans could be insured or made under the section 515 multifamily loan program and the section 517 rural housing loan program, respectively.

Subsection (e) of section 401 would extend through fiscal year 1979 the period during which loans or grants could be made under the section 523 mutual and self help housing program and authorize to be appropriated for fiscal year 1979 \$16,500,000 for the program.

Subsection (f) would authorize to be appropriated for fiscal year 1979 \$5 million each for the section 525 counseling assistance and the

Rural Housing Research

section 525 technical assistance.

Section 402 would amend subsection (b) of section 506 of the Housing Act of 1949 to provide that the Secretary is authorized and directed to conduct research, technical studies and demonstrations relating to the mission and programs of the FmHA and the National Housing Goals defined in section 2 of the Housing Act of 1949, with emphasis on promoting adequate farm and other rural housing (particularly with regard to groups with special needs), on stimulating construction, improving the design of such housing, encouraging the use of new construction techniqes and materials and reducing the cost of rural housing. The section would also amend section 506(c) to expand the areas of inquiry for which the Secretary is authorized to develop data and other information.

Section 402(b) would amend section 506 by adding new subsections (f) and (g). Subsection (f) would require the Secretary to study housing which is available for migrant and settled farm workers and to report back to Congress within one year with recommendations. Subsection (g) directs the Secretary to determine the approximate number of rural housing units without access to either or both sanitary waste disposal facilities and potable water together with the cost of providing those facilities and report her recomendations in this

area to the Congress within six months.

Notification Requirement

Section 403 would amend section 510 of the Housing Act of 1949 to require that when any applicant is denied assistance under title V of the 1949 Act adequate written notice as to the reasons for such denial be provided.

Rural Rental Assistance

Section 404 would amend section 521 to permit the Secretary to make assistance payments to owners of congregate and cooperative housing projects in addition to rental housing projects. The section would also expand the projects eligible for such assistance payments to include those financed by a loan provided under section 514.

Study of Problems Caused by Remote Claims

Section 405 would require the Secretary to make a detailed study of the problems associated with obtaining title insurance by persons in rural areas with respect to real property encumbered by remote claims or other remote encumbrances which prevent such persons from receiving full benefit of the use of such property including the benefit of assistance provided under title V of the Housing Act of 1949. The Secretary would be required to report back to the Congress on such study within one year.

Assistance to Persons Receiving Loans to Provide Occupant-Owned, Rental, and Cooperative Housing

Section 406(a) would amend section 521(a) (1) of the Housing Act of 1949 to clarify the authority of the Secretary to reduce the interest rate on FmHA insured loans down to a level of one percent for those persons who could not affect a market rate loan. For persons who could not afford the single family programs (sections 502 or 517) at a one percent rate, and where the Secretary determines that Federally assisted rental housing programs are unsuitable for the area in which such persons reside, the Secretary could provide additional assistance through a deep subsidy program in an amount which could not exceed the difference between (a) principal, interest, taxes, insurance, utilities and maintenance payments and (b) 25 percent of the person's income. With respect to the subsidy available under the interest credit and the deep subsidy programs, the Secretary would be required on the transfer of the property to provide for the recapture of all or a portion of the subsidy. In determining the amount to be recaptured, the Secretary would be required to provide financial incentives for the borrower to maintain the property in a marketable condition. The assistance is to be considered a lien on the property to enable the Secretary to recapture a portion of the subsidy. Except for Federal or State laws relating to taxation, assistance available under these programs is not to be considered income for any purpose under any State or Federal laws. The assistance is to be made available only when the needs of the applicant cannot be met from other sources, including programs available under the National Housing Act and U.S. Housing Act of 1937. In addition, the existing requirement that the interest on loans made under sections 502 or 517(a) to victims of a national disaster shall not exceed the limits set for such loans under those sections would be extended to the new deep subsidy program. The aggregate principal amount of loans made under the deep subsidy home ownership program is limited to \$440 million.

TITLE V-CONGREGATE SERVICES

Findings

Section 502 would present findings that congregate housing, together with essential supportive services, is a proven and cost-effective means of enabling temporarily disabled elderly or handicapped individuals of all ages, maintain their dignity and independence and avoid unnecessary institutionalization, and that deficiencies exist in the availability, coordination or delivery of supportive services required for successful congregate public housing.

Definitions

Section 503 would provide a number of definitions.

Authorization

Section 504 would authorize the Secretary to contract with public housing agencies and nonprofit owners of section 202 projects for a term of three to five years to provide congregate services programs for eligible project residents.

Congregate Services Program

Section 565(a) would provide that programs must include full, nutritional meal service and may include housekeeping, personal assistance and other services essential for independent living.

Section 505(b) would provide that these services could not duplicate services which are now affordable, accessible and available under pro-

grams administered by other public or private programs.

Sections 505(c) and (d) would provide that eligible entities applying for assistance consult with the Area Agency on Aging (or other appropriate agencies) and submit draft applications to these agencies for review and comment.

Section 505 (e) would provide that when nonelderly handicapped individuals are included as eligible project residents, the eligible entity must consult with and submit its draft application for review and comment to the appropriate local agencies having responsibility for the provision of social services to such individuals.

Section 505 (f) would provide that eligible entities provide congregate services directly to eligible residents or may contract or lease to

have such services provided by other agencies.

Section 505(g) would provide that, subject to waiver by the Secretary, entities receiving assistance for congregate services programs would be required to maintain existing services at the same level which they were providing at the time of application for assistance.

Section 505(h) would provide that fees established for services shall be reasonable, not in excess of the cost of providing the services, and

calculated on a sliding scale related to resident's income.

Section 505(i) would provide that the Secretary consult with the Secretary of Health, Education, and Welfare and with other appropriate organizations in establishing and developing service standards.

Eligibility and Selection

Section 506 would provide that the identification of eligible residents and the services appropriate to their individual needs shall be made by a professional assessment committee. Noneligible residents could participate in meal service programs if the eligible entity determines that their participation would not adversely affect the cost effectiveness or operation of the program.

Application Procedure

Section 507 (a) (1) and (2) would provide that an application for assistance include a plan which (1) specifies the types of proposed services, (2) is related to the needs of eligible project residents and to the maximum extent practicable, provides for the needs of all project residents, and (3) is developed after consulting with eligible project residents and the professional assessment committee.

Section 507(a) (3) and (4) would provide that application include a proposed fee schedule and a statement affirming that the required procedures with respect to consultation and avoidance of duplication have

been followed.

Section 507(b) would provide that the Secretary establish appro-

priate deadlines and notification procedures for applicants.

Section 507(c) would provide that prior to submitting an application for renewed funding, entities shall review their programs with eligible project residents and the professional assessment committee and include the results of such review in their application.

Evaluation of Applications and Programs

Section 508(a) would provide that in evaluating applicants for assistance, the Secretary consider the types and priorities of services to be provided and their relationship to the needs of project residents, the speed with which services will be established, alternative sources of funding, the qualifications of the professional assessment committee and fee schedules.

Section 508(b)(1) would provide that in evaluating programs receiving assistance, the Secretary establish procedures for evaluation which include the submission of annual reports by each participating

agency.

Section 508(b)(2) would provide the Secretary submit an annual report on the impact and effectiveness of assisted congregate services to the Congress.

Funding Procedures

Section 509(a)(1) would provide that the Secretary make timely payments to approved entities and provide for advance funding sufficient to meet necessary start-up costs.

Section 509(a) (2) would permit the reallocation of funds allocated to existing facilities if services were not established within six months

of the Secretary's approval of such programs.

Section 50(a)(3) would permit the reallocation of funds allocated to to-be-completed facilities, such services shall be available when eligible residents begin occupancy.

Section 509(a)(4) would require the Secretary to establish procedures and standards to prevent fraud or other inappropriate use of

funds.

Section 509(a)(5) would require the Secretary to limit the funds used by eligible entities for evaluation to no more than one percent of available funds.

Section 509(b) would require the Secretary to establish a reserve fund, not to exceed ten percent of appropriated funds, to be used to supplement grants made under this program.

Miscellaneous Provisions

Section 510(a) would provide that to the maximum extent practicable, eligible entities utilize elderly and permanently disabled adults who are residents of their facilities but not eligible for congregate services to provide such services. These persons would be paid wages which must at least equal the Federal, State or local minimum wage or the prevailing wage for such services, whichever is higher.

Section 510(b) would provide that no service provided under this program (except for wages paid under Section 510[a]) are treated as

income for any other program or State or Federal law.

Section 510(c) would provide that, for purposes of other Federal or State programs, individuals assisted under this Section be deemed residents of their own households and not residents of public institutions.

Authorization of Appropriations

Section 511 authorizes appropriations not to exceed \$20,000,000 for fiscal year 1979, \$25,000,000 for fiscal year 1980, and \$35,000,000 for fiscal year 1981.

Amendments to the U.S. Housing Act of 1937

Section 512 amends Section 7 (congregate housing) of the U.S. Housing Act of 1937 by changing the definition of the term 'congregate housing' to provide that (1) low-rent projects built before January 1, 1979, would be eligible for congregate assistance notwithstanding the fact that all units had kitchen facilities, (2) to cover all occupants of congregate facilities rather than only elderly and displaced families, and (3) removes the requirement that congregate facilities be "generally self supporting."

TITLE VI-NEIGHBORHOOD REINVESTMENT CORPORATION

Findings and Purpose

Section 601 contains the Congressional findings that the neighborhood housing services demonstration of the Urban Reinvestment Task Force has proven successful as a program to assist in revitalizing older urban neighborhoods and that the demand for these programs warrants the creation of a public corporation. The section also includes as the purpose of the title the establishment of a public corporation which will continue the efforts of the Urban Reinvestment Task Force to promote reinvestment in older neighborhoods.

Establishment of a Corporation

Section 602 would establish the National Neighborhood Reinvestment Corporation which is required to implement and expand the demonstration activities carried out by the Urban Reinvestment Task Force. The section also provides that the Corporation shall maintain its principal office in the District of Columbia or at other places that the Corporation may prescribe and that the Corporation shall be exempt from all taxation except taxes by state, local or territorial government on real property.

Board of Directors: Establishment

Section 603 would establish the board of directors of the Corporation. The membership of the board shall be composed of: the Chair-

man of the Federal Home Loan Bank Board (who would also serve as the first Chairman of the Board for a two-year term); the Secretary of Housing and Urban Development, a Governor of the Federal Reserve Board (as designated by the Chairman of the Federal Reserve Board), the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Administrator of the National Credit Union Administration. Each director would serve in his or her official capacity as officers of the United States and would be prohibited from receiving additional compensation except that travel, subsistence and other necessary expenses incurred in the performance of their duties as board members are to be reimbursable. The board would be required to adopt bylaws, policies and administrative provisions as necessary for the functioning of the Corporation and which are consistent with the provisions of this title. A majority of the board members would constitute a quorum. The Corporation and the meetings of the board would be subject to the provisions of section 552 of title 5 of the U.S. Code.

Officers and Employees

Section 604 would empower the board to select, employ, and fix the compensation and benefits of the employees of the Corporation without regard to title 5 of the U.S. Code (Civil Service requirements) except that no compensation for any employee shall exceed that set for a GS-18 as provided under section 5332 of title 5 of the U.S. Code. The board would be required to appoint an executive director who would act as the chief executive officer of the Corporation and who would be empowered, subject to the approval of the board, to appoint and remove employees of the Corporation. No political test or political qualification could be used in selecting, appointing, promoting or other personnel matter with respect to any employee. The officers and employees of the Corporation are not to be considered officers or employees of the United States.

Powers and Duties

Section 605 would require that the Corporation continue the work of the Urban Reinvestment Task Force in establishing neighborhood housing service programs, supervising those programs and providing them with technical assistance and grants. It also would require the Corporation to identify, monitor, evaluate and provide grants and technical assistance to selected neighborhood preservation projects and experimentally replicate those neighborhood preservation projects which have shown success. After creating reliable development processes the Corporation would assist in the replication of such projects in neighborhoods throughout the country. The Corporation would also be required to support Neighborhood Housing Services of America (a nonprofit Corporation) with support which might include grants to expand its national loan purchase pool demonstration.

The Corporation would be authorized to determine the reporting and management restrictions or requirements with which the recipients of grants and assistance must comply. The Corporation in making such a determination must assure that information is made available to enable it to determine compliance with applicable Federal laws.

The Corporation would also be empowered to: adopt, alter and use a corporate seal; to have succession until dissolved by an act of Con-

gress; to make and perform contracts, agreements and commitments; to sue and be sued; to determine its necessary expenditures (without regard to any other law); to negotiate and settle claims against the Corporation; to invest the funds of the Corporation; to acquire and own property; and to exercise all other powers that are necessary and

proper to carry out the purposes of this title.

The Corporation would be authorized to contract with the Federal Home Loan Banks for staff, facilities, services, and equipment. It would also be able to make grants and award contracts to neighborhood housing corporations and other nonprofit corporations engaged in neighborhood preservation and to local governments. In addition, any Federal department, agency or instrumentality would be authorized to provide services and facilities with or without reimbursement to the Corporation.

The Corporation would be barred from issuing stock or paying dividends and no part of its income or assets could inure to the benefit of any director, officer or employee (except as reasonable compensation for services or reimbursement for expenses). The Corporation would also be prohibited from contributing to or supporting any po-

litical party or candidate.

Reports and Audits

Section 606 would require the Corporation to publish an annual

report and transmit it to the President and Congress.

The Corporation's accounts would have to be audited annually by an independent certified public accountant. In addition, the accounts of the Corporation may be audited by GAO and GAO would also be able to audit the grantees or contractors of the Corporation (as long as Federal funds are available to the Corporation). The Corporation would have to require an annual audit of each grantee or contractor.

Authorization

Section 607 would authorize to be appropriated to the Corporation not to exceed \$8,500,000 for fiscal year 1979. The funds appropriated would remain available until expended. Any non-Federal funds received by the Corporation would be separately accounted for.

Additionally, the Corporation would be required to prepare a budget

and submit it to OMB for inclusion in the Federal budget.

Application of Government Corporation Control Act

Section 608 would amend section 101 of the Government Corporation Control Act to include the new corporation within its coverage.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Section 312 of the Housing Act of 1964

TITLE III—URBAN RENEWAL

REHABILITATION LOANS

Sec. 312. (a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

(1) (A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

(B) (i) the property is in an area (other than an area described in subparagraph (A) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation, (ii) there is in effect for the locality a workable program meeting the requirements of section 101(c) of the Housing Act of 1949, (iii) the property is residential and owner-occupied, (iv) the property is in need of rehabilitation and is in violation of the local minimum housing or similar code, and (v) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and the rehabilitation of such property is consistent with the plan for rehabilitation or code enforcement; or

(C) (i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, and (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards; or

(D) the rehabilitation is a part of, or is necessary or appropriate to the execution of, an approved community development program under title I of the Housing and Community Development Act of 1974 or an approved urban homestead program under

section 809 of such Act:

(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and

the ability of the applicant to repay the loan.

In making loans with respect to residential property under this section, priority shall be given to applications made by persons whose annual income, as determined pursuant to criteria and procedures established by the Secretary, is within the limitations prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d)(3) of the National Housing Act.

The Secretary shall, in making loans under this section, give priority to applications by low- and moderate-income persons who own the property to be rehabilitated and will occupy such property upon completion of the rehabilitation, including applications by condominiums and cooperatives in which the residents are principally of low and

moderate income.

(c) A rehabilitation loan made under this section shall be subject to the following limitations:

(1) The loan shall be subject to such terms and conditions as may

be prescribed by the Secretary.

(2) The term of the loan may not exceed twenty years or three-fourths of the remaining economic life of the structure after rehabili-

tation, whichever is less.

(3) The loan shall bear interest at such rate as the Secretary determines to be appropriate but not to exceed A 3 per centum per annum of the amount of the principal outstanding at any time, or (B) except that where the Secretary finds it appropriate to carry out the purposes of this section, the Secretary may establish such higher rate of interest for loans which will primarily benefit persons who have annual incomes exceeding 95 percent of the median income of the area. Such higher rate shall not exceed a rate determined by the Secretary of the Treasury, taking into consideration the current market yield of outstanding marketable obligations of the United States with remaining periods of maturity comparable to the terms of loans made pursuant to this section, adjusted to the nearest one-eighth of one percent. In determining an appropriate rate, the Secretary shall consider the condition, location, and anticipated use of the property, the nature of the proposed rehabilitation, the income of the applicant, and such other factors as the Secretary finds relevant; and the Secretary may prescribe such other charges as he finds necessary, including service charges and appraisal, inspection, and other fees.

(4) The amount of the loan may not exceed—
(A) in the case of residential property, \$27,000 per dwelling unit:

Provided, That, within the limitations otherwise applicable on the amount of a loan, the loan may exceed the cost of rehabilitation in order to include an amount approved by the Secretary to refinance existing indebtedness secured by such property if such refinancing is necessary to enable the applicant to amortize, with a monthly payment of not more than 20 per centum of his average monthly income, such loan and any other indebtedness secured by his property; and

(B) in the case of nonresidential property, whichever of the following is the least: \$\\$50,000, \$\\$100,000\$ or the cost of rehabilitation, or an amount which when added to any outstanding indebtedness related to the property securing the loan creates a total outstanding indebtedness that the Secretary determines could be

reasonably secured by a first mortgage on the property.

(d) There is authorized to be appropriated not to exceed \$150,000,000 for each fiscal year ending prior to July 1, 1975, not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975, not to exceed \$100,000,000 for the fiscal year beginning on October 1, 1976, and not to exceed \$60,000,000 for the fiscal year beginning on October 1, 1977, and not to exceed \$245,000,000 for the fiscal year beginning on October 1, 1978. All moneys in such revolving fund shall be available for necessary expenses of servicing loans made pursuant to this section, including reimbursement or payment for services and facilities of the Government National Mortgage Association and of any public or private agency for the servicing of such loans. The amount of commitments to make loans pursuant to this section entered into after August 22, 1976, shall not exceed amounts approved in appropriation Acts.

(i) The Secretary may not, after 180 days following the date of the enactment of this subsection, make any loan under this section with respect to any property unless the Secretary has determined that the improvements to such property, upon completion of the rehabilitation, will meet cost-effective energy conservation standards prescribed by the Secretary.

NATIONAL HOUSING ACT

TITLE I—HOUSING RENOVATION AND MODERNIZATION

Administrative Provisions

INSURANCE OF FINANCIAL INSTITUTIONS

Sec. 2. (a) The Secretary is authorized and empowered upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which the Secretary finds to be qualified by experience or facilities and approves as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them on and after July 1, 1939, and prior to [October 1, 1978] October 1, 1979, for the purpose of (i) financing alterations, repairs, and improvements upon or in connection with

existing structures, or mobile homes and the building of new structures, upon urban, suburban, or rural real property (including the restoration, rehabilitation, rebuilding, and replacement of such improvements which have been damaged or destroyed by earthquake, conflagration, tornado, hurricane, cyclone, flood, or other catastrophe), by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan or advance of credit; and for the purpose of (ii) financing the purchase of a mobile home to be used by the owner as his principal residence or financing the purchase of a lot on which to place such home and paying expenses reasonably necessary for the appropriate preparation of such lot, including the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad, or financing only the acquisition of such a lot either with or without such preparation by an owner of a mobile home; and for the purpose of financing the preservation of historic structures, and, as used in this section, the term "historic structures" means residential structures which are registered in the National Register of Historic Places or which are certified by the Secretary of the Interior to conform to National Register criteria; and the term "preservation" means restoration or rehabilitation undertaken for such purposes as are approved by the Secretary in regulations issued by him, after consulting with the Secretary of the Interior.

In no case shall the insurance granted by the Secretary under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after July 1, 1939, exceed 10 per centum of the total amount of such loans, advances of credit, and purchases: *Provided*, That with respect to any loan, advance of credit, or purchase made after the effective date of the Housing Act of 1954, the amount of any claim for loss on any such individual loan, advance of credit, or purchase paid by the Secretary under the provisions of this section to a lending institution

shall not exceed 90 per centum of such loss.

After the effective date of the Housing Act of 1954, (i) the Secretary shall not enter into contracts for insurance pursuant to this section except with lending institutions which are subject to the inspection and supervision of a governmental agency required by law to make periodic examinations of their books and accounts, and which the Secretary finds to be qualified by experience or facilities to make and service such loans, advances or purchases, and with such other lending institutions which the Secretary approves as eligible for insurance pursuant to this section on the basis of their credit and their experience or facilities to make and service such loans, advances or purchases; (ii) only such items as substantially protect or improve the basic livability or utility of properties shall be eligible for financing under this section, and therefore the Secretary shall from time to time declare ineligible for financing under this section any item, product, alteration, repair, improvement, or class thereof which he determines would not substantially protect or improve the basic livability or utility of such properties, and he may also declare ineligible for financing under this section any item which he determines is especially subject to selling abuses; and (iii) the Secretary is hereby authorized and directed, by such regulations or procedures as he shall

deem advisable, to prevent the use of any financial assistance under this section (1) with respect to new residential structures other 1 than mobile homes that have not been completed and occupied for at least six months, or (2) which would, through multiple loans, result in an outstanding aggregate loan balance with respect to the same structure exceeding the dollar amount limitation prescribed in this subsection for the type of loan involved: *Provided*, That this clause (iii) may in the discretion of the Secretary be waived with respect to the period of occupancy or completion of any such new residential structures. The Secretary is hereby authorized and directed, with respect to mobile homes to be financed under this section, to (i) prescribe minimum property standards to assure the livability and durability of the mobile home and the suitability of the site on which the mobile home is to be located; and (ii) obtain assurances from the borrower that the mobile home will be placed on a site which complies with the standards prescribed by the Secretary and with local zoning and other applicable local requirements.

Alterations, repairs, and improvements upon or in connection with existing structures may include the provisions of fire safety equipment, energy conserving improvements, or the installation of solar energy

systems. As used in his section—

(1) the term "fire safety equipment" means any device or facility which is designed to reduce the risk of personal injury or property damage resulting from fire and is in conformity with such criteria and standards as shall be prescribed by the

Secretary;

(2) the term "energy conserving improvements" means any addition, alteration, or improvement to an existing or new structure which is designed to reduce the total energy requirements of that structure, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation

with the National Bureau of Standards; and

(3) the term "solar energy system" means any addition, alteration, or improvement to an existing or new structure which is designed to utilize solar energy to reduce the energy requirements of that structure from other energy sources, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation with the National Bureau of Standards.

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$15,000, except that an obligation financing the purchase of a mobile home may be in an amount not exceeding \$16,000 (\$24,000 in the case of a mobile home composed of two or more modules); (2) if such obligation has a maturity in excess of fifteen years and thirty-two days, except that such maturity limitation shall not apply if such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes: *Provided*, That an obligation financing the purchase of a mobile home may have a maturity not in excess of fifteen years and thirty-two

days (twenty-three years and thirty-two days in the case of a mobile home composed of two or more modules); or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Secretary shall prescribe, in order to make credit available for the purpose of this title: Provided, That any such obligation with respect to which insurance is granted under this section on or after sixty days form the date of the enactment of this proviso shall bear interest, and insurance premium charges, not exceeding (A) an amount with respect to so much of the net proceeds thereof as does not exceed \$2,500, equivalent to \$5.50 discount per \$100 of original face amount of a one-year note payable in equal monthly installments, plus (B) an amount, with respect to any portion of the net proceeds thereof in excess of \$2,500, equivalent to \$4.50 discount per \$100 of original face amount of such a note: Provided further, That the amounts referred to in clauses (A) and (B) of the preceding proviso, when correctly based on tables of calculations issued by the Secretary or adjusted to eliminate minor errors in computation in accordance with requirements of the Secretary, shall be deemed to comply with such proviso: Provided further, That insurance may be granted to any such financial institution with respect to any obligation not in excess of [\$25,000] \$37,500 nor an average amount of [\$5,000] \$7,500 per family unit and having a maturity not in excess of [twelve] fifteen years and thirty-two days representing any such loan, advance of credit, or purchase made by it if such loan, advance of credit, or purchase is made for the purpose of financing the alteration, repair, improvement, or conversion of an existing structure used or to be used as an apartment house or dwelling for two or more families: Provided further, That any obligation with respect to which insurance is granted under this section on or after July 1, 1939, may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection. Notwithstanding the foregoing limitations, any loan to finance fire safety equipment for a nursing home, extended health care facility, intermediate health care facility, or other comparable health care facility may involve such principal amount and have such maturity as the Secretary may prescribe.

Notwithstanding the limitations contained in the first proviso to clause (2) of the preceding sentence, a loan financing the purchase of a mobile home and an undeveloped lot on which to place the home

shall—

(A) involve such an amount not exceeding (i) the maximum amount under clause (1) of the first paragraph of this subsection, and (ii) such amount not to exceed \$5,000 as may be necessary to cover the cost of purchasing the lot; and

(B) have a maturity not exceeding fifteen years and thirty-two days (twenty-three years and thirty-two days in the case of a

mobile home composed of two or more modules).

A loan financing the purchase of a mobile home and a suitably developed lot on which to place the home shall—

(A) involve such an amount not exceeding (i) the maximum amount under clause (1) of the first paragraph of this subsection,

and (ii) such amount not to exceed 7,500 as may be necessary to

cover the cost of purchasing the lot; and

(B) have a maturity not exceeding fifteen years and thirty-two days (twenty-three years and thirty-two days in the case of a mobile home composed of two or more modules).

A loan financing the purchase, by an owner of a mobile home which is the principal residence of that owner, of only a lot on which to place

that mobile home shall—

(A) involve such an amount as may be necessary to cover the cost of purchasing the lot but not exceeding (i) \$5,000 in the case of an undeveloped lot, or (ii) \$7,500 in the case of a developed lot; and

(B) have a maturity not exceeding ten years and thirty-two

days.

A mobile home lot loan may be made only if the owner certifies that he will place his mobile home on the lot acquired with such loan within six months after the date of such loan.

A loan financing the preservation of a historic structure shall—

(1) involve an amount not exceeding \$15,000 per family unit;

ınd

(2) have a maturity not exceeding fifteen years and thirty-two lays.

Because of prevailing higher costs, the Secretary may, by regulation, in Alaska, Guam, or Hawaii, increase any dollar amount limitation on mobile homes or mobile home lot loans contained in this subsection by not to exceed 40 per centum.

TITLE II—MORTGAGE INSURANCE

INSURANCE OF MORTGAGES

Sec. 203. (a) * * *

(c) The Secretary is authorized to fix premium charges for the insurance of mortgages under the separate sections of this title but in the case of any mortgage such charge shall be not less than an amount equivalent to one-fourth of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments: Provided, That premium charges fixed for insurance under subsection (n) is subsections (n) and (k) are not required to be the same as the premium charges for mortgages insured under the other provisions of this section, but in no case shall premium charges under subsection (n) or (k) exceed 1 per centum per annum: Provided, That any reduced premium charge so fixed and computed may, in the discretion of the Secretary, also be made applicable in such manner as the Secretary shall prescribe to each insured mortgage outstanding under this section or sections involved at the time the reduced premium charge is fixed. Such premium charges shall

be payable by the mortgagee, either in cash, or in debentures issued by the Secretary under this title at par plus accrued interest, in such manner as may be prescribed by the Secretary: Provided, That debentures presented in payment of premium charges shall represent obligations of the particular insurance fund or account to which such premium charges are to be credited: Provided further, That the Secretary may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Secretary finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Secretary may prescribe; but no mortgage shall be accepted for insurance under this section unless the Secretary finds that the project with respect to which the mortgage is executed is economically sound. In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

(k) To supplement the mortgage insurance provisions of this section in order to assist the conservation, improvement, and alteration of housing, the Secretary is authorized to make commitments to insure and to insure a home improvement loan (including advances during construction or improvement) under this subsection in accordance with the provisions of section 220(h), except that (1) the structures improved shall be designed for occupancy by not more than four families and shall not be required to be located in the area of an urban renewal project, (2) the Secretary shall find that the project with respect to which the loan is executed is an acceptable risk, (3) all funds received and all disbursements made shall be credited or charged, as appropriate, to the General Insurance Fund, and (4) insurance benefits shall be paid in cash out of the General Insurance Fund or in debentures executed in the name of such Fund. For the purposes of this subsection, the Secretary shall have all the authority provided in section 220(h). Insurance benefits paid with respect to loans insured under this subsection shall be paid in accordance with sections 220(h)(6) and 220(h)(7), except that as applied to those loans references in section 220(h) to "this subsection" shall be construed to refer to this section 203(k). If the insurance payment is made in cash, there shall be added to such payment an amount equivalent to

the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

(k) (1) The Secretary may, in order to assist in the rehabilitation of one- to four-family structures used primarily for residential purposes, insure and make commitments to insure rehabilitation loans (including advances made during rehabilitation) made by financial institutions on and after 180 days following the date of the enactment of the Housing and Community Development Amendments of 1978. Such commitments to insure and such insurance shall be made upon such terms and conditions which the Secretary may prescribe and which are consistent with the provisions of subsections (b), (c), (e), (i), and (j) of this section, except as modified by the provisions of this subsection.

(2) For the purposes of this subsection—

"(A) the term 'rehabilitation loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit, made for the purpose of financing—

(i) the rehabilitation of an existing one- to four-unit structure which will be used primarily for residential purposes;

(ii) the rehabilitation of such a structure and the refinancing of the outstanding indebtedness on such structure and the real property on which the structure is located; or

(iii) the rehabilitation of such a structure and the purchase of the structure and the real property on which it is located;

and

(B) the term "rehabilitation" means the improvement (including improvements designed to meet cost-effective energy conservation standards prescribed by the Secretary) or repair of a structure, or facilities in connection with a structure, and may include the provision of such sanitary or other facilities as are required by applicable codes, a community development plan, or a statewide property insurance plan to be provided by the owner or tenant of the project.

(3) To be eligible for insurance under this subsection, a rehabilita-

tion loan shall-

(A) involve a principal obligation (including such initial service charges, appraisal, insection, and other fees as the Secretary shall approve) in an amount which does not exceed, when added to any outstanding indebtedness of the borrower which is secured by the structure and the property on which it is located, the amount specified in subsection (b) (2); except that, in determining the amount of the principal obligation for purposes of this subsection, the Secretary shall establish as the appraised value of the property an amount not to exceed the sum of the estimated cost of rehabilitation and the Secretary's estimate of the value of the property before rehabilitation;

(B) bear interest at a rate permitted by the Secretary for mortgages insured under this section; except that the Secretary may permit a higher rate of interest to be applied to the loan with respect to the period beginning with the making of the loan and ending with the completion of the rehabilitation or such earlier

time as the Secretary may determine;

(C) be an acceptable risk, as determined by the Secretary; and (D) comply with such other terms, conditions and restrictions

as the Secretary may prescribe.

(4) Any rehabilitation loan insured under this subsection may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amounts or term which exceeds the maximum provided for in this subsection.

(5) All funds received and all disbursements made pursuant to the authority established by this subsection shall be credited or charged, as appropriate, to the General Insurance Fund, and insurance benefits shall be paid in cash out of such Fund or in debentures executed in the name of such Fund. Insurance benefits paid with respect to loans insured under this subsection shall be paid in accordance with paragraphs (6) and (7) of section 220(h); except that, where references to "this subsection" are found in such paragraphs, such references shall be construed as referring to this subsection.

RENTAL HOUSING INSURANCE

Sec. 207. (a) * * *

(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount—

(1) * *

(2) not to exceed 90 per centum of the estimated value of the property or project (when the proposed improvements are completed): Provided, That this limitation shall not apply to mortgages on housing in Alaska, or in Guam, but such a mortgage may involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the value of the property or project as such term is used in this paragraph may include the land, the proposed physical improvements, utilities within the boundaries of the property or project, architect's fees, taxes, and interest accruing during construction, and other miscellaneous charges incident to construction and approved by the Secretary). And provided further, That nothing contained in this section shall preclude the insurance of mortgages covering existing construction located in slum or blighted areas, as defined in paragraph numbered (5) of subsection (a) of this section, and the Secretary may require such repair or rehabilitation work to be completed as is, in his discretion, necessary to remove conditions detrimental to safety, health, or morals; and

(3) not to exceed, for such part of the property or projects as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$19,500 per family unit without bedroom, \$21,600 per family unit with one bedroom, \$25,800 per family unit with two bedrooms, \$31,800 per family unit with three bedrooms, and \$36,000 per family unit with four or more bedrooms, or not to exceed \$39,000 per space except that as to projects to consist of eleva-

tor-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$22,500 per family unit without a bedroom, \$25,200 per family unit with one bedroom, \$30,900 per family unit with two bedrooms, \$38,700 per family unit with three bedrooms, and \$43,758 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator type structures of sound standards of construction and design; and except that the Secretary may, by regulation increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed 50 per centum in any geographical area where he finds that cost levels so require.

The mortgage shall provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 51/4 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 percentum as the Secretary finds necessary to meet the mortgage market. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section or section 210 unless the Secretary finds that the property or project, with respect to which the mortgage is executed, is economically sound. Such property or project may include [eight] five or more family units and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants.

GENERAL MORTGAGE INSURANCE AUTHORIZATION

Sec. 217. Except with respect to the insurance of a loan or mortgage pursuant to section 2, section 221, section 235, section 236, title VIII, title X, or title XI of this Act (subject to any limitations thereunder on the time of such insurance), no loan or mortgage shall be insured under any provision of this Act after September 30, [1978,] 1979, except pursuant to a commitment to insure before that date.

HOUSING FOR MODERATE INCOME AND DISPLACED FAMILIES

SEC. 221. (a) * * * * * * * * *

(f) The property or project shall comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of such property for mortgage insurance and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants: Provided, That in the case of any such property or project located in an urban renewal area, the provisions of section 220 (d) (3) (B) (iv) shall apply with respect to the nondwelling facilities which may be included in the mortgage: Provided further, That in the case of a mortgage which bears interest at the below-market in-

terest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the

portion thereof devoted to commercial facilities.

A property or project covered by a mortgage insured under the provisions of subsection (d)(3) or (d)(4) shall include five or more family units: Provided, That such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicappel families, need not, with the approval of the Secretary, contain kitchen facilities, and such projects may include central dining and other shared facilities. The Secretary is authorized to adopt such procedures and requirements as he determines are desirable to assure that the dwelling accommodations provided under this section are available to displaced families. Nothwithstanding any provision of this Act, the Secretary, in order to assist further the provision of housing for and moderate income families, in his discretion and under such conditions as he may prescribe, may insure a mortgage which meets the requirements of subsection (d)(3) of this section as in effect after the date of enactment of the Housing Act of 1961, or which meet the requirements of subsection (h), (i), or (j) with no premium charge, with a reduced premium charge, or with a premium charge for such period or periods during the time the insurance is in effect as the Secretary may determine, and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to reimburse the General Insurance Fund for any net losses in connection with such insurance. No mortgage shall be insured under this section after September 30, [1978.] 1979, that date, or except a mortgage covering property which the Secretary finds will assist in the provision of housing for displaced families. Any person who is sixty-two years of age or over, or who is a handicapped person within the meaning of section 202 of the Housing Act of 1959, or who is a displaced person, shall be deemed to be a family within the meaning of the terms "family" and "families" as those terms are used in this section. Low- and moderate-income persons who are less than 62 years of age shall be eligible for occupancy of dwelling units in a project financed with a mortgage insured under subsection (d) (3).

In any case in which it is determined in accordance with regulations of the Secretary that facilities in existence or under construction on the date of enactment of the Housing and Urban Development Act of 1970 which could appropriately be used for classroom purposes are available in any such property or project and that public schools in the community are overcrowded due in part to the attendance at such schools of residents of the property or project, such facilities may be used for such purposes to the extent permitted in such regulations (without being subject to any of the requirements of the proviso in section 220(d)(3)(B)(iv) except the requirement that the project be

predominantly residential).

As used in this section the terms "displaced family", "displaced families", and "displaced person" shall mean a family or families, or a person, displaced from an urban renewal area, or as a result of governmental action, or as a result of a major disaster as determined by the President pursuant to the Disaster Relief Act of 1970.

MORTGAGE INSURANCE FOR NURSING HOMES

Sec. 232. (a) The purpose of this section is to assist in the provision of facilities for either of the following purposes or for a combination

of such purposes:

(1) The development of nursing homes for the care and treatment of convalescents and other persons who are not acutely ill and do not need hospital care but who require skilled nursing care and related medical services, including additional facilities for the nonresident care of senior citizens and others who are able to

live independently but who require care during the day.

(2) The development of intermediate care facilities for the care of persons who, while not in need for nursing home care and treatment, nevertheless are unable to live fully independently and who are in need of minimum but continuous care provided by licensed or trained personnel, including additional facilities for the non-resident care of elderly individuals and others who are able to live independently but who require care during the day.

(b) For the purposes of this section—

(1) The term "nursing home" means a proprietary facility, or facility of a private nonprofit corporation or association, licensed or regulated by the State (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located), for the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care but who require skilled nursing care and related medical services, in which such nursing care and medical services are prescribed by, or are performed under the general direction of, persons licensed to provide such care or services in accordance with the laws of the

State where the facility is located;

(2) the term "intermediate care facility" means a proprietary facility or facility of a private nonprofit corporation or association licensed or regulated by the State (or, if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located) for the accommodation of persons who, because of incapacitating infirmities, require minimum but continuous care but are not in need of continuous medical or nursing services; (3) a "nursing home" or "intermediate care facility" may include such additional facilities as may be authorized by the Secretary for the nonresident care of elderly individuals and others who are able to live independently but who require care during the day; and, the term "mortgage" means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term "first mortgage" means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate

is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term "mortgagor" shall have the meaning set forth in section 207(a) of this Act.

MORTGAGE INSURANCE FOR CONDOMINIUMS

Sec. 234.(a) * * *

(c) The Secretary is authorized, in his discretion and under such terms and conditions as he may prescribe (including the minimum number of family units in the project which shall be offered for sale and provisions for the protection of the consumer and the public interest). to insure any mortgage covering a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project if (1) the mortgage meets the requirements of this subsection and of section 203(b), except as that section is modified by this subsection, (2) the project is or has been covered by a mortgage insured under any section (except section 213(a) (1) and (2) of this Act), notwithstanding any requirements in any such section that the project be constructed or rehabilitated for the purpose of providing rental housing: Provided, That a one-family unit in a multifamily project involving eleven or less units, or twelve or more units in the case of a multifamily project the construction of which was completed more than a year prior to the application for mortgage insurance, shall be eligible for insurance without having been covered by a project mortgage, and (3) the mortgagor is acquiring, or has acquired, a family unit covered by a mortgage insured under this subsection for his own use and occupancy and will not own more than four one-family units covered by mortgages insured under this subsection. Any project proposed to be constructed or rehabilitated after the date of enactment of the Housing Act of 1961 2 with the assistance of mortgage insurance under this Act, where the sale of family units is to be assisted with mortgage insurance under this subsection, shall be subject to such requirements as the Secretary may prescribe. To be eligible for insurance pursuant to this subsection, a mortgage shall (Λ) involve a principal obligation in an amount not to exceed \$60,000, and not to exceed the sum of (i) 97 per centum (100 per centum if the mortgagor is a veteran as defined under section 203(b) (2) of this Act) of \$25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of \$25,000 but not in excess of \$35,000, (iii) 80 per centum of such value in excess of \$35,000,4 and (B) have a maturity satisfactory to the Secretary, but not to exceed, in any event, thirty-five years from the date of the beginning of amortization of the mortgage or three-fourths of the Secretary's estimate of the remaining economic life of the project, whichever is the lesser. In determining

the amount of a mortgage in the case of a nonoccupant mortgagor the reference to paragraph (2) of section 203(b) in section 203(b) (8) shall be construed to refer to the preceding sentence in this subsection. The mortgage shall contain such provisions as the Secretary determines to be necessary for the maintenance of common areas and facilities and the multifamily project. The mortgagor shall have exclusive right to the use of the one-family unit covered by the mortgage and, together with the owners of other units in the multifamily project, shall have the right to the use of the common areas and facilities serving the project and the obligation of maintaining all such common areas and facilities. The Secretary may require that the rights and obligations of the mortgagor and the owners of other dwelling units in the project shall be subject to such controls as he determines to be necessary and feasible to promote and protect individual owners, the multifamily project and its occupants. For the purposes of this subsection, the Secretary is authorized in his discretion and under such terms and conditions as he may prescribe to permit one-family units and interests in common areas and facilities in multifamily projects covered by mortgages insured under any section of this Act other than section 213(a) (1) and (2) to be released from the liens of those mortgages.

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

Sec. 235(a)(1) * * *

(m) No mortgage shall be insured under this section after September 30. [1978,] 1979, except pursuant to a commitment to insure before that date.

[EFFECTIVE OCTOBER 1, 1978]

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

Sec. 236.(a) * * *

* * * * * *

(f)(1)

[(3) For each project there shall be established an initial operating expense level, which shall be the sum of the cost of utilities and local property taxes payable by the project owner at the time the Secretary determines the property to be fully occupied, taking into account anticipated and customary vacancy rates. The Secretary is authorized to make, and shall contract to make to the extent of the moneys in the reserve fund established under subsection (g) and to the further extent of funds authorized in appropriation Acts, an additional monthly assistance payment to the project owner up to the amount by which the sum of the cost of utilities and local property taxes exceeds the

initial operating expense level. Such payment shall be used by the project owner solely to effect, and there shall be, a reduction in the basic rental charges established for the project. Any contract to make additional monthly assistance payments shall be for a one-year period and shall be adjusted periodically to provide, to the extent approved in appropriation Acts, for continuation of the payments and for an appropriate adjustment in the amount of the assistance payments. Additional assistance payments shall be made pursuant to this paragraph "unless the Secretary finds that the increase in the cost of utilities or local property taxes is not reasonable or not comparable to cost increases affecting other rental projects in the community."

(3) The Secretary shall utilize the fund described in subsection (g) for the sole purpose of carrying out the purposes of section 201 of the Housing and Community Development Amendments of 1978. No payments may be made from such fund unless approved in an appropriation Act. No amount may be so approved for any fiscal year beginning

after September 30, 1979.

[Effective Oct. 1, 1978]

(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be credited to a reserve fund to be used by the Secretary to make additional assistance payments as provided in paragraph (3) of subsection (f). [During any period that the Secretary determines that the balance in the reserve fund is adequate to meet the estimated additional asistance payments, such excess charges shall be credited to the appropriation authorized by subsection (i) and shall be available until the end of the next fiscal year for the purpose of making assistance payments with respect to rental housing projects receiving assistance under this section. For the purpose of this subsection and paragraph (3) of subsection (f), the initial operating expense level for any project assisted under a contract entered into prior to the date of enactment of the Housing and Community Development Act of 1977 shall be established by the Secretary not later than 180 days after the date of enactment of such Act.

(n) No mortgage shall be insured under this section after September 30, [1978,] 1979, except pursuant to a commitment to insure before that date.

PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

Sec. 240. (a) * * *

* * * * * * *

(c) To be eligible for insurance under this section, a loan shall— (1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence; (2) not exceed the cost of purchasing the fee simple title, or \$10,000 (\$30,000, if the property is located in Hawaii) per family

unit, whichever is the lesser;

(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

(4) bear interest at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home,

whichever is the lesser; and

(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

Sec. 241. (a) * * *

(d) Notwithstanding the foregoing, the Secretary may insure a loan for improvements or additions to a multifamily housing project, or a group practice or medical practice facility or hospital or other helth facility approved by the Secretary, which is not covered by a mortgage insured under this Act, if he finds that such a loan would assist in preserving, expanding, or improving housing opportunities, or in providing protection against fire or other hazards. Such loans shall have a maturity satisfactory to the Secretary and shall meet such other conditions as the Secretary may precsribe. In no event shall such a loan be insured if it is for an amount in excess of the maximum amount which could be approved if the outstanding indebtedness, if any, covering the property were a mortgage insured under this Act. At any sale under foreclosure of a mortgage on a project or facility which is not insured under this Act but which is senior to a loan assigned to the Secretary pursuant to subsection (c), the Secretary is authorized to bid, in addition to amounts authorized under section 207(k), any sum up to but not in excess of the total unpaid indebtedness secured by such senior mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses. No bid shall be made under the authority provided in the preceding sentence, unles the Secretary determines that sale proceeds from future disposition of the project or facility can reasonably be expected to equal or exceed the costs of acquiring title, extinguishing any prior uninsured debt or liability. paying the insurance claim on the loan insured, and managing and preparng the property for sale. In the event that, pursuant to subsection (c), the Secretary acquires title to, or is assigned, a loan covering a

project or facility which is subject to a mortgage which is not insured under this Act, the Secretary is authorized to make payments from the General Insurance Fund on the debt secured by such mortgage, and to take such other steps as the Secretary may deem appropriate to preserve or protect the Secretary's interest in the project or facility.

CO-INSURANCE

Sec. 244. (a) * * *

(d) No mortgage, advance, or loan shall be insured pursuant to this section after September 30, [1978,] 1979, except pursuant to a commitment to insure made before that date. The aggregate principal amount of mortgages and loans insured pursuant to this section in any fiscal year beginning on or after July 1, 1974, and ending prior to October 1, [1978] 1979, shall not exceed 20 per centum of the aggregate principal amount of all mortgages and loans insured under this title during such fiscal year. The overall percentage limitation specified in the preceding sentence shall also apply separately within each of the following categories—

(1) mortgages and loans covering one- to four-family dewell-

ings; and

(2) mortgages and loans covering projects with five or more dwelling units.

GRADUATED PAYMENT MORTGAGES

Sec. 245. The Secretary may insure under any provision of this title mortgages and loans with provisions of varying rates of amortization corresponding to anticipated variations in family income to the extent he determines such mortgages or loans (1) have promise for expanding housing opportunities or meet special needs, (2) can be developed to include any safeguards for mortgagors or purchasers that may be necessary to offset special risks of such mortgages, and (3) have a potential for acceptance in the private market. Notwithstanding any other provision of this title the principal obligation (including all interest to be deferred and added to principal) of a mortgage insured pursuant to this section may not exceed 97 per centum of the appraised value of the property covered by the mortgage as of the date the mortgage is accepted for insurance, or if the mortgagor is a veteran and the mortgage is to be insured in accordance with the provisions of section 203 of this title, such higher percentage of appraised value as is provided for purposes of determining the maximum mortgage amount eligible for insurance under section 203(b) (2) in the case of veterans. A mortgage or loan may not be insured pursnant to this section after September 30, 1978, 1979, except pursuant to a commitment entered into prior to such date. Any mortgage or loan insured pursuant to this section which contains or sets forth any gradnated mortgage provisions (including but not limited to provisions for adding deferred interest to principal) which are authorized under this section and applicable regulations, or which have been insured

on the basis of their being so authorized, shall not be subject to any State constitution, statute, court decree, common law, or rule or public policy limiting the amount of interest which may be charged, taken, received, or reserved, or the manner of calculating such interest (including but not limited to prohibitions against the charging of interest on interest), if such statute, court decree, common law, or rule would not apply to the mortgage or loan in the absence of such graduated payment mortgage provisions.

SALE OF ACQUIRED PROPERTY TO COOPERATIVES

Sec. 246. In any case in which the Secretary sells a multifamily housing project acquired as the result of a default on a mortgage which was insured under this Act to a cooperative which will operate it on a nonprofit basis and restrict permanent occupancy of its dwellings to members, the Secretary may accept a purchase money mortgage in a principal amount equal to the sum of (1) the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves, and (2) the amount of prepaid expenses and costs involved in achieving cooperative ownership. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements.] or to a nonprofit corporation which operates as a consumer cooperative as defined by the Secretary, the Secretary may accept a purchase money mortgage, or upon application of the mortgagee, insure a mortgage under this section upon such terms and conditions as the Secretary determines are resasonable and appropriate, in a principal amount equal to the value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves; except that the Secretary may add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or make such other provision for payment of such expenses and costs as the Secretary deems reasonable and appropriate. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements.

TITLE III—NATIONAL MORTGAGE ASSOCIATIONS

CREATION OF ASSOCIATION

Sec. 302. (a) (1) * * *

(b) (1) For the purposes set forth in section 301 and subject to the limitations and restrictions of this title, each of the bodies corporate named in subsection (a) (2) is authorized, pursuant to commitments

or otherwise, to purchase, service, sell, or otherwise deal in any mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949,8 or which are insured or guaranteed under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code; and to purchase, service, sell, or otherwise deal in any loans made or guaranteed of under part B of the title VI of the Public Health Service Act; and the corporation is authorized to lend 10 on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g): Provided, That (1) the Association may not purchase any mortgage at a price exceeding 100 per centum of the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items; (2) the Association may not purchase any mortgage, except a mortgage insured under title V of the Housing Act of 1949, if it is offered by, or covers property held by a State, territorial, or municipal instrumentality; and (3) the Association may not purchase any mortgage under section 305, except a mortgage insured under section 220 or title VIII or section 203(k), or under title X with respect to a new comunity approved under section 1004 thereof, or insured under section 213 and covering property located in an urban renewal area, or a mortgage covering property located in Alaska, Guam, or Hawaii, If the original principal obligation thereof exceeds or exceeded \$33,000 (or such higher amount not in excess of \$38,000 as the Secretary may be regulation specify in any geographical area where he finds that cost levels so require), for each family residence or dwelling unit covered by the mortgage (plus an additional \$2,500 for each such family residence or dwelling unit which has four or more bedrooms). If the original principal obligation thereof exceeds or exceeded \$50,0000 in the case of property upon which is located a dwelling designed principally for a one-family residence; or \$55,000 in the case of a two- or three-family residence; or \$62,500 in the case of a four-family residence; or, in the case of a property containing more than four dwelling units, \$38,000 per dwelling unit (or such higher amount not in excess of \$45,000 per dwelling unit as the Secretary may be regulation specify in any geographical area where the Secretary finds that cost levels so require) for that part of the property attributable to dwelling use. Not withstanding the provisions of clause (3) in the preceding sentence, the Association may purchase a mortgage under section 305 with an original principal obligation that exceeds the otherwise applicable maximum amount per dwelling unit if the mortgage (1) is insured under section 236 or is a below-market interest rate mortgage insured under section 221(d)(3), and (2) covers property which has the benefit of local tax abatement in an amount determined by the Secretary of Housing and Urban Development to be sufficient to make possible rentals not in excess of those that would be approved by the Secretary if the mortgage amount did not exceed the otherwise applicable maximum amount per dwelling unit and if local tax abatement were not provided. For the purposes of this title, the term "mortgages" and "home mortgages" shall be inclusive of any mortgages or other loans insured under any of the provisions of the National Housing Act or title V of the Housing Act of 1949.

TITLE V-MISCELLANEOUS

ESTABLISHMENT OF GENERAL INSURANCE FUND

Sec. 519. (a) * * *

(f) There are authorized to be appropriated to cover losses sustained by the General Insurance Fund not to exceed \$1.341,000,000, which amount shall be increased by \$165,000,000 on October 1, 1978.

SECONDARY MORTGAGES ON INSURED PROPERTIES

SEC. 528. In carrying out the provisions of title II of this Act with respect to insuring mortgages secured by a one-to-four-family dwelling unit, the Secretary may not deny such insurance for any such mortgage solely because the dwelling unit which secures such mortgage will be subject to a secondary mortgage or loan made or insured, or other secondary lien held, by any State or local governmental agency or instrumentality under terms and conditions prescribed by the Secretary.

TITLE VIII—ARMED SERVICES HOUSING MORTGAGE INSURANCE

Sec. 809. (a) * * *

(f) The provisions of sections 801, 802, 803(c), 803(i), 803(j), 804(a), 804(b), and 807 and the provisions of section 803(a) relating to the aggregate amount of all mortgages insured under this title, shall be applicable to mortgages insured under this section. No more mortgages shall be insured under this section after September 30, [1978.] 1979, except pursuant to a commitment to insure before such date.

Sec. 810. (a) * * * * * * * * * *

(k) The provisions of sections 801, 802, 803(c), 803(j), 803(j), 804 (a), 804(b), and 807 and the provisions of section 803(a) relating to the aggregate amount of all mortgages insured under this title shall be applicable to mortgages insured under this section. No more mortgages shall be insured under this section after September 30, [1978,] 1979, except pursuant to a commitment to insure before such date.

TITLE X-*MORTGAGE INSURANCE FOR LAND DEVELOPMENT

BASIC CONDITIONS FOR INSURANCE

Sec. 1002. (a) The Secretary is authorized (1) to insure upon such terms and conditions as he may prescribe, any first mortgage (including advances on such mortgage) in accordance with the provisions of this title, and (2) to make a commitment for the insurance of such mortgage prior to the date of execution of such mortgage or prior to the date of disbursement of the mortgage proceeds. No mortgage shall be insured under this title after September 30, [1978,] 1979, except pursuant to a commitment to insure issued before such date.

TITLE XI—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

INSURANCE OF MORTGAGES

SEC. 1101. (a) The Secretary is authorized (1) to insure mortgages (including advances on such mortgages during construction), upon such terms and conditions as he may prescribe, in accordance with the provisions of this title, and (2) to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon. No mortgage shall be insured under this title after September 30, [1978,] 1979, except pursuant to a commitment to insure issued before that date.

TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

PROGRAM AUTHORITY

Sec. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, C, and D of this title.

(b) (1) The powers of the Secretary under this title shall terminate

on September 30, [1978,] 1979, except to the extent necessary—

(A) to continue reinsurance and direct insurance in accordance with the provisions of sections 1223(b) and 1231(c) until September 30, [1981] 1982;

(B) to process, verify, and pay claims for reinsured losses and directly insured losses and perform other necessary functions in

connection therewith; and

(C) to complete the liquidation and termination of the reinsur-

ance and direct insurance programs.

(2) On September 30, [1978,] 1979, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance and direct insurance programs.

PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

FAIR PLANS

Sec. 1211. (a) * * *

(b) Such plans must be approved by, and administered under the supervision of, the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provisions that—

(1) * * *

(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; [and]

(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that

the plan receives adequate public attention [.]; and

(11) Notwithstanding any other provision of this section, on and after January 31, 1979, no risk within the plan shall be insured at a rate higher than the rates or advisory rates set by the principal State-licensed rating organization for essential property insurance in the voluntary market; except that this provision shall not be deemed to prohibit the application to any such risk, on a non-discriminatory basis, of condition charges for substandard physical conditions within the control of the applicant for insurance as set by the principal State-licensed rating organization for the voluntary market.

(c) At least one-third of the voting members of every board of directors, board of governors, advisory committee, and other governing or advisory board or committee for each plan described in subsection (b) shall be individuals who are not employed by, or otherwise affiliated with, insurers, insurance agents, brokers, producers, or other entities

of the insurance industry.

Housing and Community Development Act of 1974

TITLE I—COMMUNITY DEVELOPMENT

APPLICATION AND REVIEW REQUIREMENTS

Sec. 104. (a) No grant may be made pursuant to section 106 or section 119 unless an application shall have been submitted to the Secretary in which the applicant—

(1) * * *

(3) describes a program designed to—

(A) eliminate or prevent slums, blight, and deterioration

where such conditions or needs exist;

(B) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate and in a manner to insure fully opportunity for participation

by, and benefits to, the handicapped; and

(C) improve conditions for low- and moderate-income persons residing in or expected to reside in the community as a result of existing or projected employment opportunities in the community and foster neighborhood development in order to induce higher-income persons to remain in, or return to, the community;

(4) submits a housing assistance plan which—

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community as a result of existing or projected employment opportunities in the community and identifies housing stock which is in a deteriorated condition,

(B) specifies a realistic annual goal for the number of dwelling units or lower-income persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, including existing units to be upgraded and thereby preserved, (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and (iii) in the case of subsidized rehabilitation, adequate provisions to assure that a preponderance of persons assisted should be of low-

and moderate-income, and

(C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, and the reclamation of the housing stock where feasible through the use of a broad range of techniques for housing restoration by local government, the private sector, or community organizations, including provision of a reasonable opportunity for tenants displaced as a result of such activities to relocate in their immediate neighborhood, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(c) The Secretary shall approve an application for an amount which does not exceed the amount determined in accordance with section

106(a) unless—

(1) on the basis of significant facts and data, generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pur-

suant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this title, with specific regard to the primary and co-equal purposes of principally benefiting persons of low- and moderate-income or aiding in the prevention or elimination of slums or blight or meeting other community development needs having a particular urgency, or other applicable law or proposes activities which are ineligible under this title. The Secretary may not disapprove an application on the basis that such application addresses any one of the primary purposes described in paragraph (3) to a greater or lesser degree than any other.

COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR ASSISTANCE

Sec. 105. (a) A Community Development Program assisted under this title shall consist of activities which assist in carrying out a comprehensive strategy for meeting the community development and housing needs and priorities identified pursuant to section 104, giving primary attention to activities benefiting low- and moderate-income persons and neighborhoods, aiding in the prevention or elimination of slums or blight, or meeting other community development needs having a particular urgency. These activities may include only—

(1) * * *

(11) relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title when determined

[displaced by activities assisted under this title]. when determined by the grantee to be appropriate to the community development program.

NATIONAL INSTITUTE OF BUILDING SCIENCES

Sec. 809. (a) * * *

(h) There is authorized to be appropriate to the Institute not to exceed \$5,000,000 for the fiscal year 1975, and \$5,000,000 for the fiscal year 1976, and \$5,000,000 for each of the fiscal years 1977 and 1978,

and any amounts not appropriated for fiscal years 1977 and 1978 shall be available for appropriation through fiscal year 1979 (with each appropriation to be available until expended), to provide the Institute with initial capital adequate for the exercise of its functions and responsibilities during such years; and thereafter the Institute shall be financially self-sustaining through the means described in subsection (f).

URBAN HOMESTEADING

Sec. 810. (a) * * *

(g) To reimburse the housing loan funds for properties transferred pursuant to this section, and to carry out the provisions of subsection (c), there are authorized to be appropriated not to exceed \$5,000,000 for the fiscal year 1975, not to exceed \$6,250,000 for the fiscal year 1976, and the transition quarter, not to exceed \$15,000,000 for fiscal year 1977, [and] not to exceed \$15,000,000 for the fiscal year 1978, and not to exceed \$25,000,000 for the fiscal year 1979. Any amounts so appropriated shall remain available until expended.

Housing Act of 1959

TITLE II—HOUSING FOR THE ELDERLY OR HANDICAPPED ¹

LOAN PROGRAM

Sec. 202. (a) (1) * * * *

(4)(A) * * * *

(C) Amounts in the fund shall be available to the Secretary for the purpose of making loans under this section and for paying interest on obligations issued under subparagraph (B). The aggregate loans made under this section [in any fiscal year] shall not exceed the limits on such lending authority established [for such year] in appropriation Acts.

* * * * * * *

(d) As used in this section—

(1) The term "housing" means structures suitable for dwelling use by elderly or handicapped families which are (A) new structures, or (B) provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for proposed dwelling use by such families.

[2] The term "corporation" means any incorporated private institution or foundation no part of the net earnings of which inures to the benefit of any private shareholder, contributor, or individual, if such institution or foundation is approved by the Secretary as to financial responsibility.

(2) The term "corporation" means any incorporated private insti-

tution or foundation-

(A) no part of the net earnings of which inures to the benefit

of any member, founder, contributor, or individual;

(B) which has a governing board (i) the membership of which is selected in a manner to assure that there is significant representation of the views of the community in which such project is located, and (ii) which is responsible for the operation of the housing project assisted under this section; and

(C) which is approved by the Secretary as to financial

responsibility.

- (3) The term "development cost" means costs of construction of housing and of other related facilities, the cost of moveables necessary to the basic operation of the project as determined by the Secretary, and of the land on which it is located, including necessary site improvement, which cost shall be determined without regard to mortgage limits applicable to housing projects subject to mortgages insured under section 231 of the National Housing Act.
- (h) Of the amounts made available in appropriation Acts for loans pursuant to subsection (a) (4) (C) for the fiscal year eommencing on October 1, 1978, not less than \$50,000,000 shall be available for loans for the development of rental housing and related facilities specifically designed to meet the needs of handicapped (primarily non-elderly) persons. The Secretary shall take such steps as may be necessary to assure that—

(1) funds made available pursuant to this subsection will be used to support innovative methods of meeting the needs of handicapped persons by providing a variety of housing options, ranging from small group homes to independent living com-

plexes; and

(2) housing and related facilities assisted under this subsection will provide handicapped persons occupying units within such housing with an assured range of services specified in subsection (f) and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access by such persons to the community at large and to suitable employment opportunities within such community.

United States Housing Act of 1937

(c) The Secretary is authorized to enter into contracts for annual contributions aggregating not more than \$1,524,000,000 per annum, which limit shall be increased by \$965,000,000 on July 1, 1974, by \$662,300,000 on July 1, 1975, by \$228,050,000 on October 1, 1976, [and] by \$1,159,995,000 on October 1, 1977, and by \$1,195,043,000 on October 1, 1978 except that the additional authority to enter into contracts for annual contributions provided on or after July 1, 1975, shall be effective only in such amounts as may be approved in appropriation Acts. Of the additional authority to enter into contracts for annual contributions provided on October 1, 1977, and approved in appropriation Acts, the Secretary shall make available not less than \$42,-500,000 for modernization of low-income housing projects, not less than \$197,139,200 for low-income housing projects permanently financed by loans from State housing finance or State development agencies, as defined in section 802(b)(2)(A) of the Housing and Community Development Act of 1974, and not less than \$120,000,000 for low-income housing projects permanently financed by loans pursuant to section 202 of the Housing Act of 1959. In addition to the amount of contracts for annual contributions required to be entered into by the Secretary under the second sentence of this subsection, the Secretary shall enter into contracts for annual contributions, out of the aggregate amount of contracts for annual contributions authorized under this section to be entered into on or after July 1, 1974, aggregating at least \$15,000,000 per annum, which amount shall be increased by not less than \$15,000,000 per annum, on July 1, 1975, and by not less than \$17,000,000 per annum on October 1, 1976, and on and after October 1, 1978, to assist in financing the development or acquisition cost of low-income housing for families who are members of any Indian tribe, band, pueblo, group, or community of Indians or Alaska Natives which is recognized by the Federal Government as eligible for service from the Bureau of Indian Affairs, or who are wards of any State governments, except that none of the funds made available under this sentence shall be available for use under section 8. [For the purpose of the preceding sentence, the annual contributions for a project shall, notwithstanding any other provision of this Act, be equal to the difference between the sum of the total debt service payment plus approved operating costs, and the rental payments that tenants are required to make under section 3(1) of this Act. The Secretary shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there are hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments. All payments of annual contributions pursuant to this section shall be made out of any funds available for purposes of this Act when such payments are due, except that funds obtained through the issuance of obligations pursuant to section 4(b) (including repayments or other realizations of the principal of loans made out of such funds) shall not be available for the payment of such annual contributions.

LOWER-INCOME HOUSING ASSISTANCE

Sec. 8.(a) * * *

(d) (1) Contracts to make assistance payments entered into by a public housing agency with an owner of existing housing units shall provide (with respect to any unit) that—

(A) the selection of tenants for such unit shall be the function of the owner, subject to the provisions of the annual contributions

contract between the Secretary and the agency;

(B) the agency shall have the sole right to give notice to vacate, with the owner having the right to make representation

to the agency for termination of tenancy;

(B) the owner shall have the right to give notice to vacate, in accordance with State and local laws which the Secretary has determined provide adequate protection for tenants and in accordance with the determination of the public housing authority pursuant to review procedures which the Secretary has determined provide such protection;

(C) maintenance and replacement (including redecoration) shall be in accordance with the standard practice for the building concerned as established by the owner and agreed to by the agency;

and

(D) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them.

(i) In entering into contracts under this section with respect to substantially rehabilitated dwelling units, the Secretary shall provide that—

(1) the maximum monthly rent permitted for the assisted units be not greater than the amount permitted under subsection (c) or a lesser amount which the Secretary determines is appropriate taking into consideration the investment of the owner in the assisted units and such other factors as the Secretary determines to be relevant;

(2) the assisted units be rehabilitated to a level which meets but does not exceed applicable codes and standards for decent, safe, and sanitary housing which are prescribed by the Secretary;

(3) all the dwelling units in the housing structure in which the assisted units are located meet applicable codes and standards prescribed by the Secretary for decent, safe, and sanitary housing;

(4) the term of any such contract does not exceed the maximum term permitted under subsection (e)(1) or a shorter term which the Secretary determines is appropriate taking into consideration the amount of investment of the owner in the assisted units and such other factors as the Secretary determines to be relevant; and

(5) the assisted units meet cost-effective energy efficiency stand-

ards prescribed by the Secretary.

(j) (1) The Secretary may enter into annual contributions contracts under this subsection for the purpose of assisting lower income

families by making rental assistance payments with respect to real property on which is located a mobile home which is owned by any such family and utilized by such family as its principal place of residence. In carrying out this subsection, the Secretary may (A) enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property, or (B) enter into such contracts directly with the owners of such real

property.

(2) Contracts entered into pursuant to this subsection shall establish the maximum monthly rent (including maintenance and management charges) which the owner is entitled to receive for each space on which a mobile home is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this subsection. The provisions of subsection (c) (2) of this section shall apply to the adjustments of maximum monthly rents under this subsection.

(3) The amount of any monthly assistance payment with respect to any family assisted under this subsection shall be the difference between 25 per centum of one-twelfth of the annual income of such

family and the sum of-

(A) the monthly payment made by such family to amortize

the cost of purchasing the mobile home;

(B) monthly utility payments made by such family, subject

to reasonable limitations prescribed by the Secretary; and

(C) the maximum monthly rent permitted with respect to the real property which is rented by such family for the purpose of locating its mobile home;

except that in no ease may such assistance exceed the total amount of

such maximum monthly rent.

(4) Each contract entered into under this subsection shall be for a term of not less than one month and not more than 180 months.

(5) The Secretary may prescribe other terms and conditions which are necessary for the purpose of earrying out the provisions of this subsection and which are consistent with the purposes of this subsection.

ANNUAL CONTRIBUTIONS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

Sec. 9. (a) * * *

(c) There are authorized to be appropriated, for the purpose of providing annual contributions pursuant to this section not to exceed \$535,000,000 on or after July 1, 1975, not to exceed \$80,000,000 on or after July 1, 1976, not to exceed \$595,600,000 on or after October 1, 1976, and not to exceed \$685,000,000 on or after October 1, 1977, and not to exceed \$729,000,000 on or after October 1, 1978.

SECTION 3 OF THE ACT OF MAY 7, 1968

AN ACT To amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Sec. 3. (a) Notwithstanding the provisions of sections 203(b)(5), 207(c)(3), 213(d), 220(d)(4), 220(h)(2)(iii), 221(d)(5), 231(c)(6),232 (d) (3) (B), 234 (f), 235 (j) (2) (C), 236 (j) (4) (B), 240 (c) (4), 241 (b) (3), 242 (d) (3) (B), and 1101 (c) (4) of the National Housing Act regarding the maximum interest rates which the Secretary of Housing and Urban Development may establish for certain mortgage insurance programs authorized by that Act, the Secretary is authorized, until October 1, [1978,] 1979, to set the maximum interest rates for such programs at not to exceed such per centum per annum on the amount of the principal obligation outstanding at any time as he finds necessary to meet the mortgage market, and during that time the interest rates so set shall be deemed to be for all purposes the interest rates in effect under the provisions of said section 203(b)(5) and the other sections referred to above: Provided, That in determining the rate to be applicable for the said section 203(b)(5) program, the Secretary shall consult with the Administrator of Veterans' Affairs regarding the rate which the Administrator considers necessary to meet the mortgage market for guaranteed or insured home loans to veterans under chapter 37 of title 38, United States Code. Notwithstanding the provisions of section 2(b) of the National Housing Act regarding the maximum interest rate which may be established for obligations with respect to which insurance is granted to financial institutions under section 2 of such Act, the Secretary of Housing and Urban Development is also authorized, until the date specified in the preceding sentence, to set the maximum interest rate for obligations with respect to which insurance is granted under such section, at such level as he finds necessary to meet the loan market.

Section 701 of the Housing Act of 1954

COMPREHENSIVE PLANNING

Sec. 701. (a) * * *

(c) Each recipient of assistance under this section shall carry out an ongoing comprehensive planning process which shall make provision for citizen participation pursuant to regulations of the Secretary where major plans, policies, priorities, or objectives are being determined. The process shall involve development and subsequent modifications of a comprehensive plan which shall be reviewed at least beinnially triennially for necessary or desirable amendments. Any such plan shall include, as a minimum, each of the following elements:

(1) A housing element which shall take into account all available evidence of the assumptions and statistical bases upon which

the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective population growth. The development and formulation of State and local goals pursuant to title XVI of the Housing and Urban Development Act of 1968 shall be a part of such a housing element.

(2) A land-use element which shall include (A) studies, criteria, standards, and implementing procedures necessary for effectively guiding and controlling major decisions as to where growth shall take place within the recipient's boundaries, and (B) as a guide for governmental policies and activities, general plans with respect to the pattern and intensity of land use for residen-

tial, commercial, industrial, and other activities.

Each of the elements set forth above shall specify (i) broad goals and annual objectives (in measurable terms wherever possible), (ii) programs designed to accomplish these objectives, and (iii) procedures, including criteria set forth in advance, for evaluating programs and activities to determine whether they are meeting objectives. Such elements shall be consistent with each other and consistent with stated national growth policy.

(d) After an initial application for assistance under this section has been approved, the Secretary may make grants on an annual basis,

if—

(1) the applicant submits to the Secretary annually a description of its work program designed to meet objectives for the next succeeding one-year period and setting forth any changes the applicant intends to undertake to achieve better progress; and

(2) the applicant submits to the Secretary [biennially] at least triennially (A) an evaluation of the progress made by it during the previous [two] three years in meeting objectives set forth in its plan, and (B) a description of any changes in the plan's goals

or objectives.

The Secretary shall make no grant after three years from the date of enactment of the Housing and Community Development Act of 1974, to any applicant (other than an applicant described in paragraph (6) or (7) of subsection (a)), unless the Secretary is satisfied that the comprehensive planning being carried out by the applicant includes the elements specified in paragraphs (1) and (2) of subsec-

tion (c).

(e) A grant made under this section shall not exceed two-thirds of the estimated cost of the work for which the grant is made. There are authorized to be appropriated for the purposes of this section not to exceed \$130,000,000 for the fiscal year 1975, not to exceed \$150,000-000 for the fiscal year 1976, not to exceed \$100,000,000 for the fiscal year 1977, and not to exceed \$75,000,000 for the fiscal year 1978, and not to exceed \$65,000,000 for the fiscal year 1979. Of the funds appropriated under this section, not to exceed an aggregate of \$10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the ad-

vancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

(m) As used in this section—
(1) * * *

* 1

(4)
(5) The term "Indian tribal group or body" means any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93–638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92–512).

Section 3 of the Emergency Home Purchase Assistance Act of 1974

Sec. 3. (a) * * *

(b) The amendment made by subsection (a) becomes effective upon the date of enactment of this Act and shall remain in effect until [October 1, 1978] October 1, 1979 except that it shall remain in effect after such date to the extent necessary (1) to honor commitments to purchase mortgages issued prior to such date and (2) to provide for the liquidation of assets and discharge of liabilities acquired or incurred prior to such date.

Housing and Urban Development Act of 1970

TITLE V—RESEARCH AND TECHNOLOGY

RESEARCH AND DEMONSTRATIONS

Sec. 501. The Secretary of Housing and Urban Development is authorized and directed to undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as he determines to be necessary and appropriate. There are authorized to be appropriated for activities under this title not to exceed \$65,000,000 for the fiscal year 1977 and not to exceed \$60,000,000 for the fiscal year 1978 not to exceed \$60,000,000 for the fiscal year 1978. All funds so appropriated shall remain available until expended unless specifically limited.

EXPANDING HOMEOWNERSHIP OPPORTUNITIES

Sec. 510. In carrying out activities under section 501, the Secretary is authorized to conduct demonstrations to determine the feasibility of expanding homeownership opportunities in urban areas and encouraging the creation and maintenance of decent, safe, and sanitary housing in such areas through the conversion of multifamily housing properties to condominium or cooperative ownership by individuals and families.

TITLE VII—NATIONAL URBAN POLICY AND NEW COMMUNITY DEVELOPMENT

PART B—DEVELOPMENT OF NEW COMMUNITIES

SPECIAL PLANNING ASSISTANCE

SEC. 720. (a) The Secretary may, until October 1, [1978,] 1979, enter into agreements with private new community developers and State land development agencies to provide financial assistance, in amounts not exceeding two-thirds of the estimated cost of such work, for planning new community development programs, including planning work which he determines will have special value in assuring that new community development programs (1) will be fully responsive to social or environmental problems related to the public purposes of new community development, or (2) will adequately provide for, or encourage the use of, new or advanced technology in support of program objectives.

NATIONAL FLOOD INSURANCE ACT OF 1968

CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

PROGRAM EXPIRATION

Sec. 1319. No new contract for flood insurance under this title shall be entered into after September 30, [1978.] 1979.

CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

* * * * * * * * *

PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

EMERGENCY IMPLEMENTATION OF PROGRAM

Sec. 1336. (a) Notwithstanding any other provisions of this title, for the purpose of providing flood insurance coverage at the earliest possible time, the Secretary shall carry out the flood insurance program authorized under chapter I during the period ending September 30, [1978.] 1979, in accordance with the provisions of this part and the other provisions of this title insofar as they relate to this part but subject to the modifications made by or under subsection (b).

(b) In carrying out the flood insurance program pursuant to sub-

section (a), the Secretary—

(1) shall provide insurance coverage without regard to any estimated risk premium rates which would otherwise be deter-

mined under section 1307; and

(2) shall utilize the provisions and procedures contained in or prescribed by this part (other than section 1334) and sections 1345 and 1346 to such extent and in such manner as he may consider necessary or appropriate to carry out the purpose of this section.

CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

APPROPRIATIONS

Sec. 1376. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section

1375:

(2) to reimburse the National Flood Insurance Fund established under section 1310 for—

(A) premium equalization payments under section 1334

which have been made from such fund; and

(B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1335; and

(3) to make such other payments as may be necessary to carry

out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

(c) There are authorized to be appropriated for studies under this title not to exceed \$100,000,000 for the fiscal year 1977 and not to exceed \$108,000,000 for the fiscal year 1978, not to exceed \$108,000,000 for the fiscal year 1978, and not to exceed \$114,000,000 for the fiscal year 1979.

Section 626 of the National Mobile Home Construction and Safety Standards Act of 1974

ANNUAL REPORT TO CONGRESS

Sec. 626. (a) The Secretary shall prepare and submit to the President for transmittal to the Congress on March 1 of each year July 1 of every other year beginning with calendar year 1978 a comprehensive report on the administration of this title for the (2) preceding calendar [year.] years. Such report shall include but not be restricted to (1) a thorough statistical compilation of the accidents, injuries, deaths, and property losses ocurring in or involving mobile homes in such [year] years; (2) a list of Federal mobile home construction and safety standards prescribed or in effect in such [year] years; (3) the level of compliance with all applicable Federal mobile home standards; (4) a summary of all current research grants and contracts together with a description of the problems to be studied in such research; (5) an analysis and evaluation, including relevant policy recommendations, of research activities completed and technological progress achieved during such vear years; (6) a statement of enforcement actions including judicial decisions, settlements, defect notifications, and pending litigation commenced during [the year] such years; and (7) the extent to which technical information was disseminated to the scientific community and consumer-oriented information was made available to mobile home owners and prospective buyers.

(b) The report required by subsection (a) of this section shall contain such recommendations for additional or revised legislation as the Secretary deems necessary to promote the improvement of mobile home construction and safety and to strengthen the national mobile

home program.

(c) In order to assure a continuing and effective national mobile home construction and safety program, it is the policy of Congress to encourage the adoption of State inspection of used mobile homes. Therefore, to that end the Secretary shall conduct a thorough study and investigation to determine the adequacy of mobile home construction and safety standards and mobile home inspection requirements and procedures applicable to used mobile homes in each State, and the effect of programs authorized by this title upon such standards, requirements, and procedures for used mobile homes, and report to Congress as soon as practicable, but not later than one year after the date of enactment of this Act, the results of such study, and recommendations for such additional legislation as he deems necessary to carry out the purposes of this title. Such report shall also include recommendations by the Secretary relating to the problems of disposal of used mobile homes.

Section 7 of the Department of Housing and Urban Development Act

ADMINISTRATIVE PROVISIONS

Sec. 7. (a) * * *

(n) Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip and operate a day care center facility or facilities for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by such a such day care center facility.

Section 414 of the Housing and Urban Development Act of 1969

SALE OF LAND FOR HOUSING

Sec. 414. (a) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any Federal surplus real property within the meaning of such Act may, in the discretion of the Administrator of General Services, be transferred to the Secretary of Housing and Urban Development at [his] the Secretary's request for sale or lease by him the Secretary at its fair value for use in the provision of housing to be occupied by families or individuals of low or moderate income, and for related public facilities and for related commercial and industrial facilities approved by the Secretary. Any such sale or lease of surplus land shall be made only to (1) a public body which will use the land in connection with the development of a low-rent housing project assisted under the United States Housing Act of 1937, or under a State or local program found by the Secretary of Housing and Urban Development to have the same general purposes as the Federal program under such Act or (2) a purchaser or lessee who will use the land in connection with the development of housing (A) with respect to which annual payments will be made to the housing owner pursuant to section 101 of the Housing and Urban Development Act of 1965, (B) financed with a mortgage which receives the benefit of the interest rate provided for in the proviso in section 221(d)(5) of the National Housing Act, or (C) with respect to which interest reduction payments will be made under section 235 or 236 of the National Housing Act: Provided, That prior to any such sale or lease to a purchaser or lessee other than a public body, the Secretary shall notify the governing body of the locality where the land is located of the proposed sale or lease and no such sale or lease shall be made if the local governing body, within ninety days of such notification, formally advises the Secretary that it objects to the proposed sale or lease. predominantly by families or individuals of low and moderate income, assisted under a Federal housing assistance program administered by the Secretary or under a State or local program found by the Secretary to have the same general purpose, and for related public commercial or industrial facilities approved by the Secretary, Prior to any disposition of Federal surplus real property to an entity other than a public body, the Secretary shall notify the governing body of the locality where such property is located of the proposed disposition and no such disposition shall be made if the local governing body, within ninety days of such notification, formally advises the Secretary that it objects to the proposed disposition. If the United States paid valuable consideration for any such land the Secretary shall not sell it for less than its cost to the United States at the time of acquisition. In addition, if such land contains improvements constructed by the Federal Government which have potential use in the provision of housing for low- or moderate-income families or individuals, the improvements shall be separately appraised for such use and the price for which such land is sold shall include an amount which is not less than the value of such improvements as so appraised.

(b) As a condition to any sale or lease of surplus land under this section to a purchaser or lessee other than a public body, the Secretary shall obtain such undertakings as he may consider appropriate to assure that the property will be used in the provision of housing and related facilities to be occupied by families or individuals of low or moderate income for a period of not less than forty years. If during such period the property is used for any purpose other than the purpose for which it was sold or leased it shall revert to the United States (or, in the case of leased property, the lease shall terminate) unless the Secretary and the Administrator of General Services, after the expiration of the first twenty years of such period, have approved the use of the property for such other purposes. The Secretary shall notify the Committee on Banking and Currency and the Committees on Government Operations of the Senate and House of Representatives whenever any surplus land is sold or leased by him, or he and the Administrator of General Services approve a change in the use of any surplus land theretofore sold or leased by him, pursuant to the authority of this section.

(b) As a condition of any disposition by the Secretary of Federal surplus real property under this section to an entity other than a public body, the Secretary shall obtain such understandings as the Secretary may consider appropriate to assure that the property will be used, to the maximum practicable extent, in the provision of housing and related facilities to be occupied by families or individuals of low and moderate income for a period of not less than thirty years. If during such period the property is used for any purpose other than the purpose for which it was disposed of, it shall revert to the United States (or, in the case of leased property, the lease shall terminate) unless the Secretary and the Administrator, after the expiration of the first twenty years of such period, have approved the use of the

property for such other purposes.

TITLE V OF THE HOUSING ACT OF 1949

TITLE V—FARM HOUSING

TECHNICAL SERVICES AND RESEARCH

Sec. 506. (a) * * *

⁽b) The Secretary is further authorized to conduct research and technical studies including the development, demonstrations, and pro-

motion of construction of adequate farm dwellings and other buildings for the purpose of stimulating construction, improving the architectural design and utility of such dwellings and buildings, and utilizing new and native materials, economies in materials and construction methods, and new methods of production, distribution, assembly, and construction, with a view to reducing the cost of farm dwellings and buildings and adapting and developing fixtures and appurtenances for more efficient and economical farm use.

(c) The Secretary is further authorized to carry out a program of research, study, and analysis of farm housing in the United States to

develop data and information on—

(1) the adequacy of existing farm housing;

(2) the nature and extent of current and prospective needs for farm housing, including needs for financing and for improved design, utility, and comfort, and the best methods of satisfying such needs;

(3) problems faced by farmers and other persons eligible under section 501 in purchasing, constructing, improving, altering,

repairing, and replacing farm housing;

[(4) the interrelation of farm housing problems and the prob-

lems of housing in urban and suburban areas; and

(5) any other matters bearing upon the provision of adequate

farm housing.

(b) The Secretary is further authorized and directed to conduct research, technical studies, and demonstrations relating to the mission and programs of the Farmers Home Administration and the national housing goals defined in section 2 of this Act. In connection with such activities, the Secretary shall seek to promote the construction of adequate farm and other rural housing, with particular attention to the housing needs of the elderly, handicapped, migrant and seasonal farmworkers, Indians, and other identifiable groups with special needs. The Secretary shall conduct such activities for the purpose of stimulating construction, improving the architectural design and utility of dwellings and buildings; and utilizing new and native materials; economies in materials and construction methods, and new methods of production, energy conservation, distribution, assembly, and construction. In addition, the Secretary shall conduct such activities for the purpose of reducing the cost of such dwellings and buildings and adapting and developing fixtures and appurtenances for more efficient and economical farm and other rural housing use.

(c) The Secretary is further authorized to carry out a program of research, study, and analysis of rural housing in the United States for

the purpose of developing data and other information on-

(1) the adequacy of existing rural housing;

(2) the nature and extent of current and prospective needs for rural housing, including needs for financing, subsidies, improved design, utility, comfort, and the best methods of meeting such needs;

(3) the adequacy of the rural housing stock to meet the special needs of the elderly, the handicapped, farmworkers, and In-

dians and the best methods of meeting such needs;

(4) problems faced by rural people, including farmers, eligible under section 501 for purchasing, constructing, improving, altering, repairing, and replacing their housing;

(5) rural growth patterns and the interrelation of rural housing problems and the problems of housing in urban and suburban areas;

(6) the status of community facilities and services in rural areas, problems resulting from inadequate facilities and services,

and recommendations to alleviate such problems; and

(7) any other matters relating to the provision of adequate

rural housing and related community facilities.

(f) (1) The Secretary shall conduct a study of housing which is available for migrant and settled farmworkers. In conducting such study, the Secretary shall—

(A) determine the location, number, quality, and condition of housing units which are available to such farmworkers and the

cost assessed such farmworkers for occupying such units;

(B) recommend legislative, administrative, and other action (including the need for new authority for such action) which may be taken for the purpose of improving both the availability and the condition of such housing units; and

(C) determine the possible roles which individual farmworkers, farmworker associations, individual farmers, farmer associations, and public and private nonprofit agencies can perform in improv-

ing the housing conditions of farmworkers.

(2) The Secretary shall transmit the results of the study described in paragraph (1) to each House of the Congress within one year after the date of the enactment of this subsection.

(g) (1) In order to assist in reducing deaths caused by unsanitary water and waste disposal systems in rural areas, the Secretary shall

conduct a study for the purposes of determining-

(A) the approximate number of rural housing units without access to sanitary waste disposal facilities and potable water or without access to either sanitary waste disposal facilities or potable water; and

(B) the cost of implementing an emergency program to provide sanitary waste disposal facilities and potable water supplies

for such housing units within a two-year period.

(2) The Secretary shall, no later than 6 months after the date of enactment of this subsection, transmit a report to both Houses of the Congress containing the findings, conclusions, and recommendations of the Secretary with respect to the study conducted pursuant to this subsection.

ADMINISTRATION PROVISIONS

Sec. 510. In carrying out the provisions of this title, the Secretary shall have the power to—
(a) * * *

(h) utilize with respect to the indebtedness arising from loans and payments made under this title, all the powers and authorities given to him under the Act approved December 20, 1944, entitled "An Act to authorize the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness, and for other purposes" (58 Stat. 836), as such Act now provides or may hereafter be amended;

(i) provide, and shall provide, to any applicant which has been denied assistance under this title adequate written notice of the

reasons for which such assistance was denied; and

[(i)](j) make such rules and regulations as he deems necessary to carry out the purpose of this title.

Sec. 513. There is hereby authorized to be appropriated to the Secretary (a) such sums as may be necessary to meet payments on notes or other obligations issued by the Secretary under section 511 equal to (i) the aggregate of the contributions made by the Secretary in the form of credits on principal due on loans made pursuant to section 503, and (ii) the interest due on a similar sum represented by notes or other obligations issued by the Secretary; (b) [not to exceed \$105,000,000] \$150,000,000 for loans and grants pursuant to section 540 during the period beginning July 1, 1956, and ending September 30, [1978] 1979; (c) [not to exceed \$105,000,000] \$115,000,000 for financial assistance pursuant to section 516 for the period ending September 30, [1978] 1979;

INSURANCE FOR LOANS FOR THE PROVISION OF HOUSING AND RELATED
FACILITIES FOR DOMESTIC FARM LABOR

Sec. 514. (a) * * *

* * * * * * *

(d) The aggregate amount of the principal obligations of the loans insured under this section shall not exceed [\$25,000,000] \$38,000,000 (subject to approval in an appropriation Act) in any one fiscal year.

DIRECT AND INSURED LOANS TO PROVIDE HOUSING AND RELATED FACILITIES FOR ELDERLY PERSONS AND FAMILIES IN RURAL AREAS

Sec. 515.(a) * * *

(b) The Secretary is authorized to insure and make commitments to insure loans made to any individual, corporations, association, trust, or partnership to provide rental or cooperative housing and related facilities for elderly or handicapped persons or families or other persons and families of moderate income in rural areas, in accordance with terms and conditions substantially identical with those specified in section 502; except that—

(1) no such loan shall exceed the development cost or the value

of the security, whichever is less;

(2) such loans shall bear interest at rates determined by the Secretary, not to exceed the maximum rate provided in section 203(b)(5) of the National Housing Act;

(3) provide for complete amortization by periodic payments

within such term as the Secretary may prescribe;

(4) for insuring such loans, the Secretary shall utilize the Agricultural Credit Insurance Fund subject to all the provisions of section 309 and the second and third sentences of section 308 of the Consolidated Farmers Home Administration Act of 1961, including the authority in section 309(f)(1) of that Act to utilize the insurance fund to make, sell, and insure loans which could be insured under this subsection; but the aggregate of the principal amounts of such loans made by the Secretary and not disposed of shall not exceed \$10.000,000 outstanding at any one time; and the Secretary may take liens running to the United States though the notes may be held by other lenders; and

(5) no loan shall be insured under this subsection after Septem-

ber 30, **[**1978**]** 1979.

INSURED RURAL HOUSING LOANS

Sec. 517. (a) The Secretary may insure loans meeting the requirements of section 502, and may make loans in accordance with the requirements of such section to be sold and insured; except that such loans shall—

(1) if the borrowers are persons of low or moderate income (as defined by the Secretary). (A) not exceed amounts necessary to provide adequate housing, modest in size, design, and cost (as determined by the Secretary), and (B) bear interest at a rate not to exceed 5 per centum per annum but no loan under this paragraph shall be insured or made after September 30, [1978,] 1979, except pursuant to a committent entered into before that date; and

(2) if the borrowers are persons other than those described in clause (1), bear interest and provide for insurance or service charges at rates comparable to the combined rate of interest and premium charges in effect under section 203 of the National Hous-

ing Act, as determined by the Secretary.

(j) The Secretary may also utilize the Fund-

(1) to pay amounts to which the holder of the note is entitled in accordance with an insurance or sale agreement under this section accruing between the date of any payment by the borrower to the Secretary and the date of transmittal of any such payments to the holder of the note; and in the discretion of the Secretary, payments other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;

(2) to pay the holder of any note insured under this section any defaulted installment or, upon assignment of the note to the Secretary at the Secretary's request, or pursuant to a purchase

agreement, the entire balance outstanding on the note;

(3) to pay taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections or necessary to obtain credit reports on applicants or borrowers, and other services customary in the industry, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses, and other expenses and advances to protect the security for loans which are insured under this section or held in the Fund, and to acquire such security property at foreclosure sale or otherwise;

(4) to make assistance payments authorized by section 521

(a) [(2)];

(5) after October 1, 1977, and as approved in appropriations

Acts, to make advances authorized by section 501(e); and

(6) after October 1, 1977, and as approved in appropriations Acts to make the expenditures authorized by section 509(c).

LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING FOR LOW- AND MODERATE-INCOME PERSONS AND FAMILIES

Sec. 521. (a) (1) (A). Notwithstanding the provisions of sections 502, 517(a) and 515, loans to persons of low or moderate income under section 502 or 517(a) (1), or 526(a), loans under section 515 or 526(c) to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly or handicapped persons or families, and loans under section 526 to provide condominium housing for persons and families of low or moderate income, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined by the Secretary of the Treasury upon the request of the Secretary taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum [. less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: Provided, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial asistance from other sources including assistance under section 235 or 236 of the National Housing Act: Provided further, That interest on loans under section 502 or 517(a) to victims of natural disaster shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section. Any loan guaranteed under this title shall bear interest at such rate as may be agreed upon by the borrower and the lender.

(B) From the interest rate so determined, the Secretary may provide the borrower with assistance in the form of credits so as to reduce the effective interest rate to a rate not less than 1 percentum per annum for such periods of time as the Secretary may determine for applicants described in subparagraph (A) if without such assistance such applicants could not afford the dwelling or make payments on the in-

debtedness of the rental or cooperative housing.

(C) For persons of low income under section 502 or 517 (a) whom the Secretary determines are unable to afford a dwelling with the assistance provided under subparagraph (B) and when the Secretary determines that assisted rental housing programs (as authorized under this title, the National Housing Act, and the United States Housing Act of 1937) would be unsuitable in the area in which such persons reside, the Secretary may provide additional assistance, pursuant to amounts approved in appropriation Acts and for such periods of time as the Secretary may determine, which may be in an amount not to exceed the difference between (i) the amount determined by the Secretary to be necessary to pay the principal indebtedness, interest, taxes, insurance, utilities, and maintenance, and (ii) 25 per centum of the income of such applicant.

(D) With respect to borrowers under section 502 or 517(a) who have received assistance under subparagraph (B) or (C), the Secretary shall provide for the recapture of all or a portion of such assistance rendered upon the dispositon or nonoccupancy of the property by the borrower. In providing for such recapture, the Secretary shall make provisions to provide incentives for the borrower to maintain the property in a marketable condition. Notwithstanding any other provision of law, any such assistance whenever rendered shall constitute a debt secured by the security instruments given by the borrower to the Secretary to the extent that the Secretary may provide for

recapture of such assistance.

(E) Except for Federal or State laws relating taxation, the assistance rendered to any borrower under subparagraphs (B) and (C) shall not be considered to be income or resources for any purpose under any Federal or State laws including, but not limited to, laws relating

to welfare and public assistance programs.

(F) Loans subject to the interest rates and assistance provided under this paragraph (1) may be made only when the Secretary determines the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under the National Housing Act and the United States Housing Act of 1937.

(G) Interest on loans under section 502 or 517(a) to victims of a natural disaster shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

(H) The aggregate principal amount of loans made to borrowers receiving assistance pursuant to subparagraph (C) shall not exceed

\$440,000,000.

(2) (A) The Secretary shall make and insure loans under this section and sections 514, 515, and 517 to provide rental or cooperative housing and related facilities for persons and families of low income in multifamily housing projects, and shall make, and contract to make,

assistance payments to the owners of such rental, congugate, or cooperative housing in order to make available to low-income occupants of such housing rentals at rates commensurate to income and not exceeding 25 per centum of income. Such assistance payments shall be made on a unit basis and shall not be made for more than 20 per centum of the units in any one project, except that (i) when the project is financed by a loan under section 515 for elderly or handicapped housing or by a loan under section 514, or by a loan under section 514 and a grant under section 516, such assistance may be made for up to 100 per centum of the units, and (ii) when the Secretary determines such action is necessary or feasible, he shall make such payments with respect to more than 20 per centum of the units.

(B) The owner of any project assisted under this paragraph shall be required to provide at least annually a budget of operating expenses and record of tenants' income which shall be used to determine the

amount of assistance for each project.

(C) The project owner shall accumulate, safeguard, and periodically pay to the Secretary any rental charges collected in excess of basic rental charges as established by the Secretary in conformity with subparagraph (A). These funds may be credited to the appropriation and used by the Secretary for making such assistance payments through the end of the next fiscal year.

MUTUAL AND SELF-HELP HOUSING

Sec. 523. (a) * * *

(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to October 1, [1978.] 1979, such sums, not in excess of [\$10,000,000] \$16,500,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after September 30, [1978.] 1979, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

PROGRAMS OF TECHNICAL AND SUPERVISORY ASSISTANCE FOR LOW-INCOME FAMILIES

Sec. 525. (a) * * *

(c) There are authorized to be appropriated for the fiscal years ending June 30, 1975, and June 30, 1976, not to exceed \$5,000,000 for the purposes of subsection (a) and not to exceed \$5,000,000 for the purposes of subsection (b). There are also authorized to be appropriated for the fiscal year ending September 30, 1979, not to exceed \$5,000,000 for the purposes of subsection (a) and not to exceed \$5,000,000 for the purposes of subsection (b). Any amounts so appropriated shall remain available until expended, and any amounts authorized for any

fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year.

Section 101 of the Government Corporation Control Act

TITLE I—WHOLLY OWNED GOVERNMENT CORPORATIONS

Sec. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; Regional Agricultural Credit Corporations; Farmers Home Corporation; Pennsylvania Avenue Development Corporation; Federal Crop Insurance Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Government National Mortgage Association; the RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; Virgin Islands Corporation; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institue of Inter-American Affairs; Overseas Private Investment Corporation; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U.S. Commercial Company; Smaller War Plants Corporation; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Federal Housing Administration; National Neighborhood Reinvestment Corporation; Saint Lawrence Seaway Development Corporation; Panama Railroad Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated; and Pension Benefit Guaranty Corporation.

Section 305 of the Federal Home Loan Mortgage Corporation Act

MORTGAGE OPERATIONS

Sec. 305. (a) (1) The Corporation is authorized to purchase, and make commitments to purchase, residential mortgages from any Federal home loan bank, the Federal Savings and Loan Insurance Corporation, any member of a Federal home loan bank, or any other financial institution the deposits or accounts of which are insured by an agency of the United States or from any mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act. The Corporation may hold and deal with, and sell or otherwise dispose of, pursuant to commitments or otherwise, any such mortgage or interest therein, and the servicing on any such mortgage may be performed by the seller or by a financial institution qualified as a seller under the provisions of the preceding sentence, or by a mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act, with which institution or mortgagee the seller may con-

tract. The operations of the Corporation under this section shall be confined so far as practicable to residential mortgages which are deemed by the Corporation to be of such quality, type, and class as to meet generally the purchase standards imposed by private institutional mortgage investors. The Corporation may establish requirements, and impose charges or fees, which may be regarded as elements of pricing, for different classes of sellers or servicers, and for such purposes the Corporation is authorized to classify sellers or servicers according to type, size, location, assets, or, without limitation on the generality of the foregoing, on such other basis or bases of differentiation as the Corporation may consider necessary or appropriate to effectuate the purposes or provisions of this Act. The Corporation may specify requirements concerning, among other things, (A) minimum net worth; (B) supervisory mechanisms; (C) warranty compensation mechanisms; (D) prior approval of facilities; (E) prior origination and servicing experience with respect to different types of mortgages; (F) capital contributions and substitutes; (G) mortgage purchase volume limits; and (H) reduction of mortgage purchases during periods of borrowing. With respect to any particular type of seller, the Corporation shall not be required to make available programs involving prior approval of mortgages, optional delivery of mortgages, and purchase of other than conventional mortgages to an extent greater than the Corporation elects to make such programs available to other types of eligible sellers. Any requirements specified by the Corporation pursuant to the preceding three sentences must bear a rational relationship to the purposes of provisions of this Act, but will not be considered discriminatory solely on the grounds of differential effects on types of eligible sellers. Insofar as is practicable, the Corporation shall make reasonable efforts to encourage participation in its programs by each type of eligible seller.

MINORITY VIEWS

While we support the basic trust of H.R. 12433, there are several provisions which give us cause for concern. There are a number of new programs which we believe are in need of more careful consideration and there are some provisions which are contrary to the basic premise that the American people desire less Federal involvement in State and local affairs. Fortunately, there are also some provisions which remove the heavy hand of Federal involvement imposed through regulations. These views are intended to highlight our areas of concern, and our areas of agreement. While these views are not all-inclusive, we believe they serve to alert the Members as to what H.R. 12433 may mean in the years to come.

COMMUNITY DEVELOPMENT AMENDMENTS

H.R. 12433 includes two amendments to the Housing and Community Development Act of 1974 which have taken on particular importance because of the Department of Housing and Urban Development's issuance of regulations that are contrary to what has been the clear and consistent Congressional intent since enactment of the community development block grant (CDBG) program in 1974. Protestations by numerous Members of this Committee and of the House generally, including the Chairman of the Subcommittee on Housing and Community Development and the Ranking Minority Member.

have generally gone unheeded by HUD.

Specifically, one amendment would state clearly that when a community assesses its housing needs for submission to HUD as part of a CDBG application, it must consider the needs of low- and moderateincome persons who are "expected to reside" in the community as a result of existing or projected employment opportunities. While Congress thought the intent of the "expected to reside" element of a community's Housing Assistance Plan was quite clear in 1974, and undoubtedly it was because the original HUD regulations complied with this intent, the new administration at HUD was not convinced. In effect, its attitude was: if Congress doesn't specifically prohibit something, then HUD can do it. What it did was to use the "expected to reside" language to justify its predisposition to require a mandatory fair-share housing scheme, whereby every community applying for CDBG funds in a Standard Metropolitan Statistical Area (SMSA) would have to reflect as its own "needs" a number of units for low- and moderate-income persons which equates with the number of low- and moderate-income persons in the whole SMSA without regard to, or despite the Community's valid determination of need for such units. In other words, if 35 per centum of the SMSA's population is of lowand moderate-income, then under the new HUD regulations, a community would be expected to show a housing need which, in time, would

reflects its willingness to provide ample low- and moderate-income housing for a pro-rata share of the area's low- and moderate-income

population.

With the amendment in H.R. 12433, it is now crystal clear that the "expected to reside" provision means that a community is required to make provisions for housing low- and moderate-income persons who either work in the community and live elsewhere, or who are likely to work in the community and may want to live there as a result of projected employment opportunities. Since the Department insists on "specificity", this amendment is necessary in order to preserve Con-

gress' original intent.

The second amendment has an even greater import, in light of HUD's extensive lobbying in opposition to the amendment and its, insistence on implementing new regulations concerning the primary purposes of the CDBG program. HUD has, contrary to Congressional intent, raised one of the primary purposes of the CDBG program above the others. The Act clearly sets forth that the Secretary shall approve an application unless there is a finding (1) that the communities' description of its needs and objectives is plainly inconsistent with the facts and data generally available; (2) that the activities to be undertaken are plainly inappropriate to meeting those needs and objectives; or (3) that the application does not comply with the requirements of the Act or other applicable laws, with specific regard to "the primary purposes of principally benefiting persons of low- and moderate-income or aiding in the prevention or elimination of slums or blight or meeting other community development needs having a particular urgency." (emphasis added)

Originally, the Department proposed regulations which would require 75 percentum of a community's CDBG funds to be used to principally benefit low- and moderate-income persons. After intensely strong opposition from Congress and local government officials, HUD dropped the proposed requirement and issued regulations instituting a 51 percentum requirement with strong "encouragement" for the spending of 75 percentum of the funds to benefit low- and moderate-income persons. This "encouragement" comes through HUD's notice to the communities that if they do not certify that they will use 75 percentum of the funds for this purpose, their applications will be

subjected to a "detailed review" prior to approval.

What is most interesting is that the debate on this amendment did not center on its merits. Virtually every Member agreed that it reflected the original intent of the legislation. The question was whether it was necessary to "clarify" what was considered to be clear already, or whether report language would suffice. In light of the Department's attitude on this matter, it was rightly believed that a statutory remedy

was required.

We also note with displeasure that HUD on April 28, 1978, only three days after adoption of the amendment, sent an extensive notice to its field offices directing them on how to implement the regulations to which the amendment is addressed. This notice is an affront to the committee and the CDBG program applicants and represents a level of second-guessing by HUD that is plainly inappropriate for the program and plainly inconsistent with the statute, HUD must learn that

the basic constitutional separation of powers provides for Congress, not the Executive, to legislate. If HUD desires to re-direct the thrust of the CDBG program, it should come to the Congress and request

a change in the law.

Finally, it should be made clear that nothing in this amendment prevents a community from deciding to utilize all of its CDBG funds to benefit low- and moderate-income persons. This was permitted under the original Act and is permitted under the amendment. The amendment does, however, reiterate that local officials, not HUD, have the responsibility for developing a program designed to address their particular local needs. By specifying that the primary purposes of the Act are "co-equal" and expressly providing that an application cannot be disapproved because it addresses one primary purpose to a greater or lesser degree than another, the amendment merely clarifies the law. It does not change the law, it reaffirms what it has always meant. But, it does prohibit HUD from adopting or applying regulations or procedures which in any way would require communites to meet some specified percentage criteria as a condtion to funding approval. Rather, HUD's review is limited to the exercise of a "veto" of the funding application only if, and when, the Department determines that the community's analysis of its needs is "plainly inconsistent" with "significant facts and data, generally available" to HUD, or the community's program for meeting those needs is "plainly inappropriate." The legislative history of the Act is replete with representations emphasizing that these bases for denving a funding application are to be interpreted as limiting HUD's review authority not expanding it, and that the block grant nature of the program contemplates no "second guessing" by HUD of local determinations in the absence of clear disregard of the Act's objectives by the community.

312 REHABILITATION LOANS

Based on the premise that you can't get too much of a good thing, the committee agreed to an Administration request to increase the operating level of he Section 312 rehabilitation loan program from \$80 million in fiscal year 1978 to \$275 million in fiscal year 1979. Admittedly, the program is popular, but this strikes us as possibly going too far too fast. HUD has just recently changed its procedures to loosen up administration of the program, and there is some concern that these changes, coupled with the huge increase of funds may generate increasing defaults. Currently, the budget shows approximately 10 percent of the outstanding loans in collection status and the Department has had an ever increasing number of loans assigned back to it. In calendar year 1975 that number was 1,073 loans; for 1976 it was 1,123 loans; and for 1977 it was 1,558 loans. We hope that this progression can be reversed, but with the expected quantum jump from the current annual level of new loans (about 7.000) to possibly 25,000 loans a year, the prospects are not bright. Unfortunately, since the Department has not yet provided the data requested showing its experience with loans in collection status, an accurate projection of ultimate Federal cost is impossible.

It was also somewhat disturbing to review the income profile of borrowers under this Federal direct loan program at a 3 percent interest rate. The statute calls for a priority to be given to lower income persons (below 95 percent of median), yet in calendar year 1977, over 33 percent of the funds went to owner occupants earning in excess of \$15,000 per annum. Interestingly enough, this program which has a clear statutory priority for lower-income persons, expended almost 5 percent of the total loan amount on borrowers earning more than \$30,000 per annum, while another 10 percent went to those earning in excess of \$20,000.

Fortunately, the committee adopted an amendment which authorizes a sliding scale for the interest rate on loans to individuals earning over 95 percent of median. Under this provision the interest rate would increase, depending on the borrowers' income, up to the Treas-

ury borrowing rate.

We would also comment on a published report that HUD, in reviewing a 3 percent rehabilitation loan program undertaken by a community as part of its CDBG program, will expect its field offices to "scrutinize" the program to "determine whether that interest rate is sufficiently low enough to benefit low-income people. The clear implication is that if HUD does not think the rate is low enough, it would require the community to lower it. As mentioned earlier in these views, the Department's attitude has been somewhat defiant, and now it adds gross inconsistency to the growing list of complaints against it. With one hand HUD asserts it can require a community which Congress intended should have control over its own program, to make rehabilitation loans at below a 3 per centum interest rate; with the other hand the Department administers its own program, aimed at the same income group, with an interest rate of 3 percent or above if the changes made by this bill become law. This must represent a classis case of programmatic schizophrenia.

OPERATING SUBSIDIES

H.R. 12433 also includes a new operating subsidy for troubled multifamily projects for low- and moderate-income families. We believe the committee has done a good job in tightening up the wideranging program submitted by HUD. In delineating the findings, which the Department must make before assistance can be extended—particularly the finding that this subsidy will be less costly to the Federal government than other reasonable alternatives for maintaining the low- and moderate-income character of the project—the committee has signaled the end of open-ended subsidies. Enforced management improvements and cost-cutting plans are vital to the success of this program. Without them, and the expectation that the subsidy will be of limited duration for a particular project, there would have been considerable opposition to the program.

This does not mean that we are particularly hopeful of the prospects for success. The history of public housing operating subsidies does not give cause for celebration. Those subsidies, which went into full effect in fiscal year 1971 at a level of under \$100 million, are at \$729 million

for fiscal year 1979. While it is necessary that something be done for these troubled projects, we are concerned that the universe of such projects is not well established and the authorization level of \$74 million merely represents a "foot in the door." When these concerns are coupled with the shakey history of HUD's management and oversight of the multifamily inventory, which was "found to be inadequate" by the Department's own Task Force on Multifamily Property Utilization, it is clear that we have not found a panacea.

The Department has stated it is making changes in its management operations and fully expects to be able to run this program effectively. We do not wish to judge the efforts of the Department in advance, but we do expect that the progress of this program will be monitored care-

fully by the committee.

RURAL HOUSING

A new Home Ownership Assistance Program for low-income individuals residing in rural areas is provided in this bill which deepens the existing Farmers Home interest credit subsidy. While we are sympathetic to the plight of rural residents who lack adequate housing, most of us have serious reservations as to whether the Home Ownership Assistance Program is the best way to approach the

problem.

Under this program, a low-income family could purchase a home, with no down payment, and would be required to pay only 25 percent of the family's adjusted gross income towards the costs of principal, interest, taxes, insurance, utilities and maintenance. The government would make up the difference. The track record of HUD's Section 235 program and the FmHA's own interest credit program, which are similar, but less liberal, deep subsidy programs is not encouraging. It is not necessary to remember back very far when the 235 program was racked with scandals and had to be abandoned as a subsidy vehicle. While the rural character of this plan may allow this subsidy program to avoid the pitfalls of its more urban counterpart, there is no proof to that effect.

Specifically, we are concerned that since the program does not contain an income floor, it permits a family with a zero adjusted income to qualify for the purchase of a house. Also, although the stated purpose of the program is to reduce the number of substandard dwellings, there is no requirement that those being aided were indeed living in substandard or overcrowded housing prior to receiving assistance.

While we approve of the recapture provision, which would allow the government to recoup some of its subsidy payments when the house is sold, we question whether the increases in value will be as large as the Administration claims. It should also be noted that the level of recapture is up to the Secretary of Agriculture and we would urge diligence in assuring that the Federal purpose is protected to the fullest extent possible, in light of the possible magnitude of the subsidy.

There is also the basic question of equity. A few low-income individuals will be allowed to purchase a home utilizing only 25 percent of their income to cover all their housing costs. The amount the government contributes towards these costs is taxpayer's money. This money, in part, comes out of the pockets of individual homeowners with annual family incomes of \$10,000 and below, the same income

Şir.

range that would be eligible for assistance under this program. Of these who are presently homeowners with incomes in the \$5,000 to \$10,000 range, with mortgages on their property, over 63 percent pay more than 25 percent of their income for their total housing costs; and over 31 percent pay more than 35 percent. How can the government justify taking tax money from some hard-pressed family to assist recipients under this program? The nonassisted family not only pays a greater percentage of its income toward its own housing costs, but through its taxes it will also help pay the housing costs of families who are no worse off financially.

FAIR PLANS

Once again, Congress is being asked to solve a problem that is unique to New York. The State of New York has developed a FAIR Plan which is self-rated (i.e. the insurance rates for the policies in the plan are based on the loss experience of the plan). Due to extensive losses in parts of New York City, the FAIR Plan rates in that State are considerably higher than in the voluntary market. Ever since enactment of the FAIR Plan legislation in 1968, which was designed to encourage states to develop plans to provide essential property insurance, it was intended that the states would regulate the plans. Now, because New York has a problem, and is without the leadership at the State level to solve it, Congress is placed in a position of requiring that no state may allow FAIR Plan rates in excess of those charged in the voluntary market.

As H. L. Mencken once said, "There's always an easy solution to every human problem—neat, plausible and wrong." This is just such a solution. Under the provision in this bill—the so-called Holtzman amendment—all 27 states that have adopted FAIR Plans must set their rates for risks in the Plan at not more than the rates prevailing in the voluntary market where the risk experience is much better. The result will undoubtedly be a subsidy to those in the FAIR Plans from those policyholders in the voluntary market. The subsidy will be paid to the FAIR Plans through an increase in insurance premiums on property not in the FAIR Plans. This would be particularly true in

New York State where the required subsidy is the greatest.

Obviously, the politicians in New York would prefer to have insurance premiums go up rather than adopt new taxes or raise existing ones to cover the FAIR Plan losses. If premiums go up, the people will blame the insurance companies. If taxes go up, some New York State politicians may lose out in November. Is it any wonder the State hasn't acted?

It should also be noted that a report to Congress on this problem was due from HUD on Jamuary 15, 1978, and has not been received due to an embargo placed on it by the Office of Management and Budget. This embargo may be due in part to the position of the Justice Department which opposes the solution offered by the Holtzman amendment and embodied in the HUD report.

According to a February 22, 1978 Justice Department letter to OMB

concerning the report:

A strong argument may be made that the States, rather than being compelled to rely on a rigid rate structure and

crude system of subsidization, should have the flexibility to experiment with new methods of pricing FAIR Plan insurance and of subsidizing FAIR Plan risks, to the extent necessary, in light of the particular needs of consumers within the State.

The letter goes on to question the adequacy of the data in HUD's report "as a basis for Federal legislation addressing the affordability problem presented by self-rating", and expresses concern that this amendment would "constitute congressional endorsement of a non-

competitive, cartel-like pricing system".

To those who argue that opposition to the Holtzman amendment is the same as favoring redlining, we submit that the Justice Department must also be guilty. It must have been fallacious arguments, like the one equating opposition to forced Federal rate regulation of State FAIR Plans with redlining, and the adoption of "easy" "Holtman-type solutions that caused Will Rogers to note that: "This country has come to feel the same when Congress is in session a when the baby gets hold of a hammer."

CONCLUSION

Last year the Minority Views on H.R. 6655, the Housing and Community Development Act of 1977, described the tightening review of the CDBG program, which was being imposed administratively by HUD, as "discomforting" since it signaled a return to the "Washington knows best" syndrome—the very thing the original block grant program was intended to prevent. This year HUD's actions are even worse. All Members of Congress should object to such administrative actions, especially when they are inconsistent with the intent of the law. Regardless of whether or not we agree with what the law says, we all must attempt to assure that it is carried out as intended.

J. WILLIAM STANTON.
GARRY BROWN.
CHALMERS P. WYLIE.
JOHN H. ROUSSELOT.
GEORGE HANSEN.
RICHARD KELLY.
CHARLES GRASSLEY.
THOMAS B. EVANS, Jr.

SUPPLEMENTAL VIEWS OF JOHN H. ROUSSELOT

Once again, this committee has overauthorized and, in effect, overpromised aid to the poor in general, and to the urban, rural and elderly residents of the country in particular. For the urban dwellers, there is almost a quadrupling of aid for rehabilitation; for the rural dwellers there is an immensely generous deep subsidy program for homeownership, which promises they can buy a house even if they have no income; and for the elderly the bill promises all forms of services

which HEW is currently authorized to provide.

In the area of subsidized housing for the poor, H.R. 12433 authorizes an additional \$1,195,043,000 in annual contract authority for lowincome housing in fiscal year 1979. It is estimated that this level of authorization will require approximately \$31 billion in budget authority. Under this program, HUD will obligate the Federal Government to pay out about \$31 billion over the next 30 to 40 years. Based on the history of HUD projects, it is doubtful that the projects will last nearly that long. Fortunately, the subsidy is not irrevocably tied to the project under Section 8 and if a project is demolished, the subsidy ends. Of course, that does not solve the whole problem, especially if the project is constructed under the public housing program or is Federally insured. A good case in point is the 325-unit Rockdale Apartment Project in Atlanta, Georgia which was demolished only four short years after construction was completed. Even though the subsidy for the project (under Section 221) ended, the FHA still had to pay off the mortgage because the project was Federally insured.

Current annual housing subsidy outlays are in excess of \$3.5 billion, excluding the \$729 million in public housing operating subsidies. The use of the new add-on budget authority in this bill to create even greater "uncontrollable" expenses for future budgets, jeopardizes chances for a balanced Federal budget. And, in addition to all of this, the committee has authorized a new operating subsidy for certain troubled multifamily projects. After watching the public housing operating subsidies more than double in the last five years, it is impossible to believe that the \$74 million authorized represents more than a few ice cubes off an iceberg the size of the Titanic's nemesis. Indeed, the comparison to the plight of the Titanic may be more than just one of size, especially as the authorization requests for the second,

third, and succeeding years are made.

JOHN H. ROUSSELOT.

ADDITIONAL VIEWS OF HON. STEWART B. McKINNEY

As has been the case in the past—and will be repeated in the future this year's Housing bill does not satisfy everyone. That is to be expected when such a complex piece of legislation is under consideration. Even though a supporter of H.R. 12433, I am not wholly satisfied by some of the language in this bill. However, I do not think those points are serious enough to merit opposition to passage and I urge my colleagues to support our bill.

There are a great many positive elements to this legislation. One which I was proud to introduce was the creation of the Neighborhood Reinvestment Corporation to continue the work that was being done by the Urban Reinvestment Task Force. While this proposal was being discussed during our Subcommittee hearings, I was greatly encouraged by the strong support voiced to me by many members on

both sides of the aisle.

The beauty of the approach that has been used in this program is its dependence on cooperation among individuals and groups, businesses and local governments, all on the grass roots level. This government-owned corporation has been and will be effective because it is small and carries with it an aura of independence from the giant bureaucracy. It is obvious that our larger agencies tend to turn off the private sector when they are asked to become involved in local projects.

Although it is not unique, the experience of Bridgeport, Connecticut, illustrates my point. With the expert assistance of the Neighborhood Housing Service people in the Task Force Bridgeport set up an operation through which each bank pledged \$50,000 as an outright grant and set aside more money for low-interest loans. In addition they have pledged several millions for regular interest loans in what was a dubions area. The city has come in with an in-kind participation of \$1.2 billion. The results so far have been extremely gratifying as more than fifty pieces of property have been returned to Bridgeport's tax rolls. As I said, this is not unique because this type of success has been duplicated across the country.

The Urban Reinvestment Task Force can be considered as the demonstration phase of this concept. We have seen the proof of its success. Also we have seen and heard from those who participated that a major concern is the threat of big government intervention. My purpose for creating this corporation is to reassure the people working in these programs on the local level that they will not be lost in the bureaucratic morass. We are promising the financial institutions whose cooperation is so vital to continued success that federal bureaucracy and federally-mandated paperwork will not be their reward for becoming

involved.

The acceptance of my amendment to create the Neighborhood Reinvestment Corporation by an overwhelming vote of 18 to 5 in the Housing Subcommittee is not a criticism of HUD but rather it attests to the

success of this cooperative effort by local parties with a minimal federal involvement. I appreciate the support I received on this amendment not as a personal victory, but as a vote of confidence for our

cities to succeed.

As I remarked earlier, there were some points of disagreement in H.R. 12433 as well. One major point of controversy concerns the language of Section 307(b), the so-called Holtzman amendment. This language was originally inserted during Floor consideration of the Housing bill last year. It was deleted in conference, but language was inserted which required HUD to make a study and report the results to Congress. I am not usually a supporter of such proposals because studies drag on forever, or at least until we forget why we wanted the study in the first place. This situation is different: HUD complied with our request. But because OMB, the Big Brother of the Executive Branch, has seen fit in its infinite wisdom not to release this report, our committee and the Congress do not have the benefit of this valuable information. I suggested most seriously to Congressman Lundine, an ardent supporter of Section 307(b), that he ask on the Floor that OMB show cause for violating the law of the United States—and the will of Congress—in seeking this report. I for one, admit that I am not an expert in all matters on which I am asked to vote. When I need information on which to base my decision, I do not expect one small but obviously very powerful ruling body within the government to obstruct the legislative process.

I have problems with the language of Section 307(b), but I also have difficulty reconciling that with what tend to be discriminatory practices, such as *de facto* segregation. I have the greatest respect for our colleague, Congresswoman Holtzman, and admire her for what she is trying to do. However, I think that most states with FAIR plans are making progress in this area and we should encourage further action on that level. The legal responsibility in this regard rests

with the state.

But we can not—and certainly should not—ignore the moral responsibility that exists. On this point I am sure Ms. Holtzman and I have no disagreement. I object strongly to the "pooling" approach which forces anyone in a FAIR plan area into that plan regardless of the past insurance history. In my opinion, that is a clear case of "redlining"—and another form of discrimination to be abhorred. As I said in Subcommittee, I think discriminatory insurance practices must be attacked through other means such as guidelines, but not by Federal legislation of State insurance rates.

Most of us who have struggled with this problem for some time would be receptive to ideas from the private sector. Not a defense of existing practices, but an approach that both sides can live with as reasonable. Perhaps even HUD might have some input if only OMB

would allow it.

Finally I would like to mention the controversy surrounding the consideration of the Brown amendment to section 103. If I had been present at the subcommittee mark-up, I would have voted against that amendment. The vote tally would not have changed since Mr. Hubbard was also voted incorrectly by proxy and we would have cancelled each other out.

I bring up the issue solely to reassure my friends that my position remains as strong as ever in support of efforts to provide funds for community development programs to benefit the poor. I apologize to no one for my overriding concern for the plight of the urban poor. The poor people throughout this country and the world deserve our assistance. In Congress the inner city disadvantaged are a distinct minority and we must continue to make their voices heard.

SUPPLEMENTAL VIEWS OF REPRESENTATIVES CHARLES GRASSLEY AND WES WATKINS

In voting against our amendment to prohibit HUD from implementing rules and regulations which would stifle smaller community access to the community development program, the committee has, in fact, endorsed HUD's philosophy that administrative convenience

precedes equity for smaller communities.

HUD's record is replete with actions that have been taken to limit the access of these communities. For instance, in the Urban Development Action Grant program, communities of under 2500 in population must prove to HUD that they have the capacity to carry out this sort of program. This requirement is not imposed on any other size community. Also in the Action Grant program, communities under 50,000 population can't qualify for the program by using a "unique distress factor," but communities of over 50,000 may. In the proposed rules for the loan guarantee program, HUD wants to exclude all nonentitlement communities from eligibility to apply, though this is not

called for by statute.

The above list is only indicative of HUD's attitude. Many attempts at stifling smaller community access in the past have been stopped only by vocal criticism by representatives for these communities. For instance, HUD originally wanted to exclude communities of under 2,500 from applying for comprehensive grants, unless they had previously carried out a comprehensive program, or could prove that they had to have such a grant. Again, a tougher requirement for smaller communities. A threatened law suit played an obvious role in HUD's decision to drop this proposal. And in the first set of Action Grant rules, there were three sets of eligibility standards for communities of under 50,000 in population, varying according to population size, and, of course, the smaller the town, the harder it was to qualify. Fortunately, criticism forced the withdrawal of this proposal as well.

Frankly, representatives for smaller communities are getting tired of having to protest every time HUD comes out with a new regulation. Last year, we offered an amendment which guarantees smaller communities at least 25% of Action Grant funds. This amendment, predictably opposed by HUD, was intended in part to let that Department know that smaller communities are just as deserving of community development funds as are large cities. Unfortunately,

HUD has still not gotten the message.

The language of our amendment is simple. It states, "The Secretary shall not establish requirements that limit or exclude the access of smaller communities of any size to assistance under this title except as expressly authorized by statute." Its meaning is clear. Only Congress should decide when it is appropriate, if ever, to limit smaller community access to community development funds. These community

nities will not be given any undue advantage in applying for such funds, if this amendment is adopted. Rather, they will simply be entitled to compete on no stricter a basis than other communities which

apply.

HUD has simply refused to take steps to encourage and assist smaller communities to participate in the community development program. If HUD believes that these communities, because of their size, may have difficulties in administering block grant funds, HUD should make a serious effort toward assisting them with such administration, rather than simply excluding them from a program which Congress intended to benefit all communities.

CHARLES E. GRASSLEY. WES WATKINS.

SUPPLEMENTAL VIEWS OF HONORABLE S. WILLIAM GREEN

H.R. 12433 contains much that is constructive, and deserves enactment.

However, the bill parallels President Carter's urban message of March 27, 1978, in its lack of a strong commitment to urban housing. Its major increase in housing funds is in rural housing and the Section 312 rehabilitation loan program. The Section 312 program has worked well in rehabilitating small homes, but it has not been an effective program in dealing with multi-family housing. Moreover, it has primarily served median income rather than low and moderate income families. This is almost inevitable, given the program's basic 3% interest rate; title II of the bill acknowledges that even a 1% program, the pre-1974 Section 236 program, is having difficulty in continuing to reach low and moderate income families.

SECTION 8 FUNDING

The major current housing program that addresses multi-family housing and low and moderate income families is the Section 8 rent subsidy program. Though this program, together with the traditional public housing program, has been billed as a 400,000 unit a year program, in fact, because of inflation, the sums authorized in this bill will yield substantially fewer units, so that the Administration and this bill are actually shrinking the programs materially. For this reason I regret that the amendment I offered to increase the Section 8 authorization by \$125 million was not accepted.

I do not believe the Nation can have a sound urban policy without a meaningful housing component. What President Carter witnessed in the South Bronx unfortunately is not unique to that area. I could show the President a similar sight in my district on the lower East Side.

There are similar sights in many other cities.

I deeply regret that the Administration appears to be wavering in its commitment to the goal enunciated in the Housing Act of 1949 of "a decent home and a suitable living environment for every American family."

FHA AND GNMA MORTGAGE CEILINGS

The bill continues the present complex system of numerical mortgage ceilings for FHA and GNMA mortgages. This system continues to be troublesome particularly in areas with high construction costs. Several years ago the Congress abandoned a similar system of statutory ceilings for public housing and substituted a system of administratively determined ceilings varying from market area to market area and updated annually.

I offered an amendment that would have keyed the FHA and GNMA ceilings to the public housing ceilings. However, I withdrew that amendement (and did not offer other amendments I had prepared relating to specific FHA and GNMA ceilings) when Chairman Ashley of the Subcommittee on Housing and Community Development stated that that Subcommittee planned shortly to review the entire question of FHA mortgage ceilings. I was encouraged by Chairman Ashley's comments in this regard, and I hope that subcommittee action will be initiated soon.

BILL GREEN.

Calendar No. 801

95TH CONGRESS }

SENATE

REPORT No. 95-871

HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 3084

TOGETHER WITH

ADDITIONAL VIEWS



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Calendar No. 801

95TH Congress 2d Session SENATE

REPORTNo. 95–871

HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1978

MAY 15 (legislative day, April 24), 1978.—Ordered to be printed

Mr. Proxmire, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 3084]

The Committee on Banking, Housing, and Urban Affairs, having considered the same, reports favorably a committee bill (S. 3084), to amend and extend certain Federal housing and community development programs, and for other purposes, and recommends that the bill do pass.

HISTORY OF THE LEGISLATION

The committee held 11 days of hearings on this legislation, between January and April of this year. The primary bills considered during the hearings were S. 2637, the bill submitted by the administration to amend and extend the programs of the Department of Housing and Urban Development, and S. 2708 and S. 2709, the administration's proposals for programs conducted by the Farmer's Home Administration.

In addition to the general hearings on the authorizations and proposed amendments separate hearings were held on rural housing programs, on housing goals, on building codes for rehabilitated housing, on congregate public housing services, and on housing rehabilitation, urban homesteading, and the problems of financially troubled HUD multifamily projects. At these hearings the committee heard testimony from Members of Congress, the Secretary of Housing and Urban Development, the Administrator of the Farmer's Home Administra-

tion, from other administration officials, and from over 30 representatives of local government, the housing and lending industries, and public interest organizations. The bill was approved following three days of markup.

SUMMARY AND HIGHLIGHTS

The Committee bill, the proposed Housing and Community De-

velopment Act of 1977, consists of seven titles:

Title I would authorize an expansion of the Section 312 Rehabilitation Loan and Urban Homesteading Programs, and amends the

community development program.

Title II would authorize funding for Housing Assistance Programs, including programs of assistance to benefit the handicapped, to improve security in publicly-assisted projects, to maintain financially troubled projects and very low income tenants in these projects; and new guidelines for managing federally-assisted projects.

Title III would extend the basic mortgage insurance authorities

of the FHA and other housing-related programs.

Title IV would create a new program to provide certain services

for frail elderly persons who reside in publicly-assisted housing.

Title V would extend and authorize funding for rural housing programs, and initiate a new program to assist very low income rural families to purchase and maintain their homes.

Title VI would incorporate in the Housing and Community Development Amendments of 1978, the Neighborhood Reinvestment Corpo-

ration Act, passed by the Senate last year.

Title VII would amend various housing acts in order to provide for, among other matters, increased exemptions under the Interstate Land Sales Disclosure Act, increased participation by mortgage bankers in the programs conducted by the Federal Home Loan Mortgage Corporation, and a prohibition of expenditures by the Department of Housing and Urban Development for the purpose of implementing the Department's proposed reorganization of multifamily and community planning and development functions.

The bill would authorize \$3.5 billion in funding in fiscal year 1979 for programs of the Department of Housing and Urban Development and the Farmers Home Administration. Outlays for these programs in fiscal year 1979 would, it is estimated, be \$731 million. In total, the bill would authorize increased budget authority of \$42.4 billion and

outlays of \$5.2 billion.

REHABILITATION

The bill would increase emphasis on housing rehabilitation. It would, first, create a new program to permit use of section 8 low-income housing assistance for moderate rehabilitation, filling a gap in the current program which provides assistance for existing housing and for housing requiring substantial rehabilitation.

Second, the bill would significantly increase funding for the section 312 rehabilitation loan program, and would broaden its scope to en-

courage use of the program for multifamily properties.

Third, the bill would expand both the funding and scope of the urban homesteading program, under which HUD-foreclosed houses

are sold at nominal costs to people who agree to live in and repair them. The bill would make eligible for the program properties owned by the Veterans Administration and local governments, and would set aside section 312 loan funds to finance homesteading rehabilitation.

Fourth, the bill would anthorize a new program to use section 8 assistance funds to help low-income homeowners afford needed home

repairs and rehabilitation.

FINANCIALLY TROUBLED HUD MULTI-FAMILY HOUSING

The bill would authorize a comprehensive program to aid multifamily housing projects which have been assisted or insured by HUD, and which are not able to meet rising operating costs. HUD would be authorized to provide operating assistance to such projects after determining the extent of their need and assuring that they are being soundly managed.

In addition, the bill would provide a program of rent relief for very low-income tenants of such projects who are paying more than 25 per-

cent of their incomes for rent.

The bill also would establish specific rights for tenants of certain HUD-assisted and insured housing projects and would set forth a strategy for the disoposition of projects which have already defaulted and are owned by HUD.

PUBLIC HOUSING-SECURITY AND SERVICES FOR THE ELDERLY

The bill would authorize a new program to prevent costly and unnecessary institutionalization of elderly and handicapped tenants of public housing. It would enable individuals who are not entirely self-sufficient but do not require fully institutionalized care, to live in congregate public housing. The housing would provide facilities and necessary supportive services.

The bill also would authorize a new demonstration projet to improve the safety and security of public housing residents by developing

effective techniques for crime prevention and control.

HOUSING DISPLACEMENT

The legislation contains several provisions which deal with the involuntary displacement of people from their homes by federally related urban development and housing rehabilitation activities.

The bill would contain a congressional policy declaring that Federal housing and community development programs should minimize involuntary displacement of people from their homes and neighborhoods. It would require the Secretary to study the problem and to report findings and recommendations for dealing with displacement of lower income persons, both privately- and publicly-caused, by January 1979.

The bill would also authorize a new program to use section 8 assistance funds to help low income homeowners make needed home repairs, and would encourage use of the section 312 rehabilitation loan program for multifamily housing, under guidelines intended to minimize

displacement of tenants residing in these structures.

HOMEOWNERSHIP ASSISTANCE IN RURAL AREAS

The bill would authorize a new program under the Farmers Home Administration to assist low-income rural homebuyers and homeowners who are using the FmHA's interest credit loan program. The program would authorize use of the rural housing fund to assist such persons in meeting mortgage, tax, utility, insurance and maintenance payments to the extent that they cannot meet those payments by contributing through payment of 25 percent of their incomes.

NEIGHBORHOOD REINVESTMENT CORPORATION

The legislation would incorporate a bill passed by the Senate last year to create a new neighborhood reinvestment corporation based on the highly successful Neighborhood Housing Services experience of the interagency Urban Reinvestment Task Force.

EXPLANATION OF THE BILL

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

REHABILITATION LOANS

Since 1964, the section 312 rehabilitation loan program has provided loans to owners and tenants to help upgrade properties in neighborhoods in which concentrated community development efforts and programs are being carried out. The 312 program has generally been considered highly successful by local officials, citizens, housing rehabilitation experts, and others concerned with the conservation of existing housing and neighborhoods.

In order to advance the important national priority of preserving the Nation's existing housing stock and neighborhoods, the committee this year decided upon a major expansion of the rehabilitation loan program, along with major changes and reforms to make the program

more effective in accomplishing its goals.

LOWER INCOME PRIORITY

Section 101(a) (1) would provide that priority under the section 312 program must be given to borrowers who meet the income eligibility limits for the section 8 program, or 80 percent of an area's median income. The present law requires this priority of borrowers meeting the income limits of the section 221(d)(3) program, or 95 percent of an area's median income. A recent report by the National Association of Housing and Redevelopment officials, "Financing techniques for local rehabilitation programs," indicates that localities have tended in recent years to reduce the priority for families earning less than 95 percent of median income, in favor of persons making up to approximately 125 percent. The committee believes that this subsection would assure that most of the rehabilitation loan funds are used to benefit lower-income families. At the same time, it would continue to permit use of the program, to finance needed rehabilitation of residences occupied by more affluent residents.

PROVISION FOR SLIDING SCALE INTEREST RATES

Section 101(a)(2) would amend the section 312 program to permit the Secretary to establish interest rates which would be based on family income and would range between 3 percent and the Treasury's borrowing rate.

The section 312 program presently contains no income eligibility limits, and all loans bear a statutorily-set interest rate of 3 percent,

regardless of the borrower's income.

According to recent HUD data, approximately 45 percent of the section 312 single-family loans made in 1977 went to families earning more than \$12,800 per year, or 80 percent of the 1977 national median income. Nearly 30 percent of the loans went to families with incomes above the median, or \$16,000.

It has frequently been argued that the program's uniform 3-percent interest rate provides an unnecessarily deep subsidy to the more affluent participants in the section 312 program. The committee felt that this inefficient use of scarce subsidy funds has taken on added significance in the context of this year's legislation, which provides for a

substantial increase in funding for the program.

Accordingly, section 101(a)(2) provides for a revision of the program's interest rate structure. Under the bill, families earning 80 percent or less of median area income would continue to receive loans at 3 percent. For homeowner families with incomes above 80 percent of the area median, the Secretary would be authorized to establish interest rates based on family income, ranging from above 3 percent to the current average market yield on outstanding marketable Treasury securities with maturities comparable to section 312 loans, adjusted to the nearest one-eighth of a percent. The Secretary would also be authorized to establish additional charges necessary to cover adminis-

trative costs and projected losses under the program.

While the establishment of a sliding interest rate for these loans is permissive rather than mandatory, the committee does intend that, except for exceptional circumstances, the Secretary shall establish higher interest rates for more affluent homeowner borrowers. The committee believes that only where the maintenance of a 3 percent rate for higher income borrowers is necessary in a particular community to carry out the basic purposes of the program should the Secretary exercise her discretion not to impose or require a sliding scale. For example, a 3 percent rate for upper income borrowers might be continued in cases where a local community is using 312 loans in combination with private loans, resulting in more rehabilitation per Federal dollar, and an effective interest rate for borrowers which is between the private market rate and the 3 percent rate.

The committee is concerned that a differential interest rate could be imposed which would set one interest rate for all borrowers, regardless of income, whose incomes exceed 80 percent of the median. The committee intends that interest rates actually reflect a range of rates between 3 percent and the Treasury borrowing rate for this class of

borrowers

Section 101(a)(3) of the bill would amend section 312(c)(4)(A) of such act to permit loan amounts to include the refinancing of existing indebtedness if the Secretary determines that such refinancing is necessary to minimize displacement of existing tenants of a multifamily property.

LOAN LIMITS FOR MULTIFAMILY REHABILITATION

Section 101(a)(4) of the bill would amend section 312(c)(4) of the Housing Act of 1964 to increase, from \$50,000 to \$100,000, the maximum loan amount which applies to nonresidential properties under the section 312 rehabilitation loan program. The \$50,000 limit

was established in 1964, and has not been increased. The higher limit is needed to keep pace with inflation and to hold the nonresidential limit in proper relationship to the residential limit, which was increased in 1977.

EXPANSION OF REHABILITATION LOAN PROGRAM

Section 101(b) of the bill would expand the section 312 rehabilitation loan program to an authorization level of \$370 million annually in fiscal year 1979 and fiscal year 1980. Despite the success and popularity of the 312 program, it has always operated at a very minimal funding level. In fiscal year 1978, for example, the program will only be able to rehabilitate approximately 11,000 housing units, and many communities and regions of the country have, as of May, already exhausted their section 312 funds, halfway through the fiscal year. Furthermore, the program has suffered from abrupt starts and stops of funding due to lack of a firm commitment by previous administra-

tions to the program.

The authorization levels recommended in section 101(b) represent a significant expansion of the section 312 program, and a commitment to its continued adequate funding in the future. With over \$30 million in repayments into the section 312 revolving loan fund expected in both fiscal year 1979 and fiscal year 1980, the proposed authorization levels would allow for approximately \$400 million in loans to be made in each year, a level that would finance the rehabilitation of 40,000 to 50,000 housing units annually. The committee adopted these program levels after considering a range of options, including the \$925 million section 312 loan level reportedly proposed by HUD to the President's Urban and Regional Policy Group, and the \$275 million loan level finally proposed by the administration as part of the President's urban policy.

The committee believes that the recommended authorization level reflects both the need for the program and the capacity of the program for expansion. According to HUD data, at least 4.8 million housing units nationwide are suitable for rehabilitation. This estimate excludes almost all communities below 50,000 in population, or about half the housing stock, indicating a potential total rehabilitation need of approximately 10 million units. Furthermore, the committee has received extensive testimony from local officials, and others familiar with housing rehabilitation, that a 40,000 to 50,000 unit program level for section 312 is within the administrative capacity of local governments—who generally implement the program for HUD—and of the

housing rehabilitation industry.

MULTIFAMILY HOUSING REHABILITATION

The committee paid particular attention to assuring that section 312 funds could be used for rehabilitation of dilapidated, small multifamily properties. According to HUD data, at least 55 percent of housing units in need of rehabilitation are rental units, rather than single-family, owner-occupied homes. In the past, however, less than 10 percent of section 312 loan funds have been used for multifamily properties, and very little funding from any Federal or local source has been

used for small, dilapidated multifamily housing. This pattern occurs primarily because multifamily rehabilitation presents a number of special difficulties, such as possible displacement of existing tenants if the rehabilitation leads to increased rents, and possible abuses of the program by some investor-owners. Furthermore, there is a natural tendency for local agencies to prefer to make many rehabilitation loans to homeowners, rather than fewer loans for multifamily housing, regardless of the relative need.

To encourage local governments to deal with the difficult problem of dilapidated multifamily properties, section 101(b) (2) of the bill would provide a flexible earmarking of \$175 million out of the \$400 million total program level, for multifamily property rehabilitation. The Secretary would have full administrative authority to alter the level ear-

marked, if necessary.

In order to resolve some of the possible difficulties of multifamily rehabilitation, section 101(c) of the bill adds three new subsections to section 312, creating a number of new conditions to the use of section 312 loans for multifamily purposes. New subsection (i) (1) would require that properties receiving multifamily 312 loans either be located in low- and moderate-income neighborhoods designated for concentrated community development activities, or that the loan be used for the purpose of minimizing the displacement of low- and moderate-income tenants in a neighborhood undergoing rapid reinvestment. The committee intends that section 312 multifamily rehabilitation loans be used in conjunction with other community development efforts, and in accordance with an overall community development strategy that principally benefits low and moderate-income persons. In neighborhoods where extensive rehabilitation and displacement are already occurring, the use of a low-interest; section 312 loan for rehabilitation of a multifamily property would help to keep rent increases low in comparison to private rehabilitation loans. Lower rents can, in turn, help minimize the displacement of low-and moderate-income tenants. In low- and moderate-income neighborhoods, as in other areas, the committee expects that a community would not make 312 multifamily loans primarily for properties which serve predominantly upper income tenants.

New subsections (i)(2) and (i)(3) would generally limit section 312 loans to properties of less than 100 units, and would require that a preponderance of 312 loans for multifamily properties be used for properties of less than 30 units. The committee intends by these provisions to target rehabilitation assistance primarily on the smaller properties, with 30 or less units, in which over 70 percent of central city tenants live, and whose owners often face major problems in obtaining rehabilitation financing. The committee does not, however, intend for HUD to impose a uniform nationwide requirement that a certain percentage of 312 multifamily loans go to properties of less than 30 units, HUD should accord localities the maximum feasible flexibility in meeting their widely varying housing rehabilitation needs. The bill would authorize a waiver of the 100-unit limitation if the rehabilitation of a larger project is essential to meeting local community development needs, and if alternative sources of financing are unavailable. The committee would expect this waiver to be used only in a limited number of instances, and only when specifically

approved by HUD upon a local agency's request.

Many of the other new conditions for section 312 multifamily property rehabilitation loans are intended to limit, to the maximum extent possible, the economic displacement of existing tenants which occurs when rehabilitation costs lead to increased rents. HUD would be required to enter into rent regulatory agreements with all investorowners receiving section 312 loans to limit, for at least 5 years, the extent of rent increases caused by the reliabilitation. Under current HUD administrative procedures for section 312, HUD already requires such a rent regulatory agreement, based upon limiting the investor-owner's rate of return on the property. In addition, when necessary to minimize displacement, investor-owners applying for 312 loans would be required to apply for section 8 rent subsidies for the tenants as well, and HUD would be required, to the maximum extent possible, to make any needed rent subsidies available. HUD would have discretionary authority to enter into agreements with investor-owners receiving both section 312 loans and section 8 rent subsidies to require a continuing commitment to keep the section 8 units available as low and moderate income housing.

Furthermore, under section 101(a)(3) of the bill, HUD would have discretionary authority to allow a 312 multifamily loan to include refinancing the property's mortgage, if such refinancing would keep rents down and thus minimize displacement. Such refinancing is currently allowed in single-family 312 loans if needed to keep a homeowner's total housing costs below 20 percent of income.

In addition to the specific antidisplacement protections in the bill, HUD would have a general responsibility, under new subsection (i) (10), to take further steps when needed to minimize tenant displacement, Furthermore, under new subsection (i) (1), HUD has a responsibility to insure that 312 multifamily rehabilitation loans are consistent with an overall community development strategy that principally benefits low- and moderate-income persons. This would include assuring that the use of section 312 loans for multifamily rehabilitation benefits the low- and moderate-income tenants of those properties.

The committee wishes to emphasize that, although no statutory setaside of section 8 funds for use with section 312 has been required, the committee would expect HUD to use its section 8 authority to help satisfy the antidisplacement requirements of the secion 312 multifamily rehabilitation program, as well as the requirements and needs

of other programs.

Under new subsection (i) (10), HUD woud also be required to minimize hardships caused by temporary displacement of tenants during rehabilitation. This might include, for example, measures modeled on the Portland, Oreg., rehabilitation program. Portland requires that investor-owners receiving a section 312 loan pay for the tenants temporary relocation costs, and these costs are then included in the loan.

New subsection (i) (6) would require that, prior to approving a section 312 multifamily rehabilitation loan, HUD must examine the investor-owner's prior management history to determine whether the owner is likely to provide continuing sound management and maintenance of the property. HUD must also require a sound plan for the

future management of the property. The committee feels strongly that this sound management requirement is essential and that HUD must provide adequate monitoring, with adequate staff, of section 312 multifamily rehabilitation loans, especially with regard to the kinds of investor-owners who receive loans. In addition to insuring sound management of these properties, adequate HUD monitoring is essential to insure that the antidisplacement provisions of the bill are enforced, and that the benefits of multifamily property rehabilitation flow to the tenants.

New subsection (i) (7) requires that prior to approval of a multifamily rehabilitation loan, tenants would have to be informed of the terms of the loan, any expected rent increases resulting from the loan, and possible sources of rental assistance. The committee believes this provision can help minimize displacement, and insure that section 312 loans are only made to investor-owners with good management records.

New subsection (c) (i) (8) of the bill required that HUD or the local agency give maximum possible assistance to small investor-owners—that is, relatively moderate-income investor owners who own only one or two smaller properties—in meeting the requirements of the section 312 program. The committee would like to emphasize particularly the need, in cases where both section 8 and section 312 assistance are required, for HUD to provide a quick, simple application and approval procedure for the smaller investor-owner, along with appropriate technical assistance. Subsection (i) (11) of the bill would require HUD to encourage the leveraging of private funds with section 312 multifamily loans. For example, some cities use section 312 funds for 50 percent of the total rehabilitation cost, and arrange private financing for the remaining 50 percent. HUD would be required to encourage this type of leveraging effort where feasible and where the resulting higher interest rate would not cause displacement.

ANNUAL REPORT ON SECTION 312

New subsection (k) would require that HUD submit an annual report on the section 312 rehabilitation loan program, in conjunction with the annual report on the community development block grant program. By December 1, 1979, HUD would be required to submit a special report evaluating the section 312 multifamily program, with legislative recommendations for improving the overall effectiveness of Federal assistance for the rehabilitation of small multifamily properties.

EXTENSION OF THE PROGRAM

Section 101(d) would amend section 312(h) to extend the program an additional year, through fiscal year 1980.

Rural areas

The committee intends that the section 312 rehabilitation loan program be available for use in rural and smaller communities, as well as in larger urban areas. The committee expects HUD to take such steps as are necessary to insure that the program can be used in communities of all types.

URBAN HOMESTEADING

Section 102 would broaden the scope of the urban homesteading program and significantly increase its funding level. The committee concluded, on the basis of hearings held this year, that urban homesteading has been successfully demonstrated in a number of cities, and that the program should now be expanded in scope and operated as a regu-

lar HUD program.

Created by the Housing and Community Development Act of 1974, the program enables the Secretary of HUD to dispose of structurally sound properties which HUD has acquired through foreclosure, by transferring them to a local community with an approved homesteading plan. The community in turns sells the home to an individual or family at nominal cost, with the requirement that they improve the property and live in it for at least 3 years. The funds are authorized to reimburse the FHA insurance funds for its losses on the homes.

Testimony revealed that the Federal Government, local communities, and families seeking homes have benefited from the program, and that benefits could be increased if properties held by the Veterans' Administration and properties subject to local and State tax liens were made

eligible for homesteading.

Section 102 would authorize HUD to acquire suitable properties from the VA and to reimburse the insurance fund for these properties. It would authorize up to \$26 million in reimbursements for HUD and

VA-held properties.

In addition, this section would authorize HUD to make grants to localities in order to facilitate the inclusion of locally owned properties in the urban homestead program. HUD would be authorized to provide up to \$5,000 per property in order to pay off mechanics and tax liens on properties which have been acquired by communities as a result of abandonment, tax foreclosure or other circumstances. The total amount of such grants would not exceed \$36 million.

In recognition of the costs involved in administering a homesteading program, this section would provide a grant of up to \$60,000 to reimburse a unit of local government, State, or designated agency participating in the program, for its administrative costs. It would authorize an appropriation of not more than \$45 million for fiscal

year 1979 for tax and administrative reimbursement grants.

This section would also amend the section 312 rehabilitation loan program in order to provide localities with predictable funding for loans to carry out urban homesteading. In the past, allocations of section 312 loan funds for homesteading purposes have been negotiated by each locality and, accordingly, have precluded effective planning of local homesteading programs. Section 102 of the bill would require the Secretary to make available to the locality \$8,000 in Section 312 loan funds for each property transferred by HUD under the urban homesteading program. These funds would be available regardless of the actual cost of the rehabilitation work needed on a particular unit. As an incentive to arrange for the private financing of urban homestead rehabilitation work, unused section 312 loan funds would remain available for 1 year for use for other eligible section 312 loans. Under section 101(b)(2), \$70 million of the \$370 million loan level author-

ized for section 312 would be earmarked for use with the urban homesteading program, with full authority for the Secretary to change the level earmarked, if necessary.

MULTIFAMILY URBAN HOMESTEADING

Subsection 101(j) of the bill would authorize use of a portion of the \$70 million earmarked for homesteading for a nationwide demonstration program in multifamily urban homesteading. Using section 312 rehabilitation loans, the Urban Homesteading Assistance Board, sponsored by the Cathedral Church of St. John the Divine in New York, has already undertaken several successful projects in which neighborhood residents rehabilitate abandoned tenements and transform them into cooperative housing projects by the residents. Subsection (j) would authorize a demonstration program to determine whether the multifamily homesteading concept can be made to work in other cities and neighborhoods.

COMMUNITY DEVELOPMENT BLOCK GRANT AMENDMENTS

Section 103(a) (1) of the bill would amend section 104(a) (4) (A) of the Housing and Community Development Act of 1974 to require, as part of a community's housing assistance plan, that the housing assistance needs of lower income owners of homes requiring rehabilitation be assessed. Currently, the law requires only that the housing assistance needs of lower-income persons, including elderly and handicapped persons, large families and displaces, be considered as part of the HAP.

Section 103(a)(2) of the bill would amend section 104(a)(4)(B) (i) of such act to provide that communities, in developing realistic annual goals as part of their required housing assistance plans, shall identify the number of dwelling units that fit the category of "existing dwelling units to be upgraded and thereby preserved" as well as the relative proportion of new, substantially rehabilitated and existing units to be assisted. This identification will promote greater efficiently in the use of assisted housing funds and enable communities to imple-

ment housing programs with greater flexibility.

Section 103(b) would enable localities to use community development block grant funds to provide relocation payments and assistance when the communities determine these are appropriate to the community development program. Under the existing program, only displacements caused by activities assisted under the block grant program are eligible for assistance. This provision would permit assistance where there is a displacement of tenants under private developer-section 8 projects, or as a result of other public or private actions which cause displacement but are not presently covered by the Uniform Relocation Act.

URBAN DEVELOPMENT ACTION GRANTS NEIGHBORHOOD IMPACT

Section 104(a) would require that communities submit impact statements analyzing the effect that proposed urban development action programs will have on area residents, particularly those of low and moderate income, and their neighborhoods. This provision is deemed necessary to assure that UDAG proposals adequately take into account the needs of residents and residential neighborhoods that may be

affected by the implementation of such programs.

Section 104(b) would require the Secretary to consider the impact of a proposed urban development action program on area residents and their neighborhoods in making grants for such purposes. Consideration of such an analysis should serve to promote the preservation of neighborhoods and the protection of their residents, particularly

those of low and moderate income.

The UDAG program has a number of distinct objectives. It is aimed, on the one hand, at assisting existing residential neighborhoods. The act states that the program is intended "to help alleviate physical and economic deterioration through reclamation of neighborhoods having excessive housing abandonment or deterioration," and directs the Secretary to allocate a reasonable share of the funds "to restore seriously deteriorated neighborhoods." On the other hand, UDAG is also an economic development program designed to alleviate economic deterioration through "community revitalization in areas with population outmigration or a stagnating or declining tax base." In this connection, the law requires that, in addition to the neighborhood-oriented projects, a reasonable portion of UDAG funds be used "to reclaim for industrial purposes underutilized real property, and . . . to renew commercial employment centers."

The objectives of economic development and strengthening of existing residential areas are in many cases fully consistent with each other, and may even overlap. An example of the latter would be a case where UDAG funds are used to revitalize a small commercial strip in an older lower income residential area, creating economic benefits directly

for the current neighborhood residents.

The committee is concerned, however, that in some instances the economic development purposes of UDAG projects may conflict with the interests of the existing residential neighborhoods where they are located. An example of such a potential conflict would be a project in which housing occupied by lower income people must be cleared

to prepare a site for a commercial complex or a hotel.

In this kind of case, it is still possible that existing residents might enjoy a net benefit, if, for instance, they are relocated to better housing in the same neighborhood, and many of them may be able to find employment opportunities in the new development enterprise. The committee believes, however, that the weighing of such complex positive and negative impacts is a difficult process, and requires an explicit place in the procedure by which localities will prepare and HUD will evaluate UDAG applications.

TITLE II—HOUSING ASSISTANCE PROGRAMS

LOW-INCOME HOUSING

Authorization for Assisted Housing

Section 201(a) of the bill would authorize for fiscal year 1979 \$1,675,043,000 in additional annual contributions contract authority under the U.S. Housing Act of 1937. This authority would fund ap-

proximately 100,000 additional units of housing above the administration's requested level of 400,000 units for low-income families under the section 8 assistance payments and conventional public housing programs. The Congressional Budget Office has estimated that only 377,000 units would be provided with the contract authority requested by the administration. The recommended additional funding would bring the total number of units to be assisted in fiscal year 1979 to about 475,000 units which would help to meet the critical housing needs of low-income people who are suffering because they cannot afford decent housing under current market conditions.

Public housing modernization

Section 201(b) of the bill would require that of the new annual contributions contract authority provided, at least \$50 million be used for modernization of public housing projects. This is a program to upgrade public housing projects which because of their age and physical condition are in need of capital improvements. Modernization funds have been used to improve living conditions, correct physical defects, and achieve operating efficiency and economy in public housing projects. This funding level represents an increase of \$12.5 million above the administration's requested level for fiscal year 1979, but only \$7.5 million above the funding level of \$42.5 million for fiscal year 1978. The additional funds would be used to meet new requirements for energy conservation, to provide accessibility for the handicapped in public housing, and to continue the effort to meet the substantial backlog in unfunded modernization needs. The committee views the public housing modernization program as an essential component of our national effort to maintain and upgrade existing public housing, and believes that this modest increase of \$7.5 million over fiscal year 1978 would help to meet unfunded modernization needs and requirements to conserve energy and to provide accessibility for the handicapped.

Section 201(c) would, as of October 1, 1978, delete the set-asides provided by earlier amendments to section 5(c) of the 1937 Housing

Act.

Under these set-asides, only specific amounts can be used for new construction, for acquisition or for other types of activity, with additional provisions concerning the types of sponsors to which the funds may be allocated.

Deletion of the set-asides would provide the Secretary maximum flexibility in utilizing the funds made available for public housing and

section 8 housing assistance payments.

Section 201 (d) of the bill would amend section 8 of the 1937 act to authorize the Secretary to make assistance payments under section 8, pursuant to contracts, to owners or prospective owners who agree to upgrade housing, through upgrading which involves less than substantial rehabilitation. The Secretary would be authorized to prescribe terms and conditions except that these would, to the maximum extent feasible, be required to be consistent with the terms and conditions applicable to other dwelling units assisted under section 8.

The proposed amendment would permit section 8 assistance to be provided in conjunction with minor and moderate levels of rehabilita-

tion, provide assisted housing at lower cost, and assist in preserving neighborhoods. It is estimated that at least 2.7 million rental units have deficiencies requiring a moderate level of upgrading, of which approximately 75 percent are in buildings of less than 20 rental units

(a) Section 201(e) of the bill would increase the level of operating subsidies for public housing to \$800 million in fiscal year 1978. This amount is necessary to fund fully the performance funding system under which subsidies are allocated to public housing authorities, based upon the operating costs of well-managed housing projects. As in past years, the committee believes that HUD has not requested sufficient funding for operating subsidies.

The proposed level of funding represents a prudent investment in management and maintenance of our existing public housing projects, which constitute a capital investment of \$19 billion and public housing

units which provide shelter to almost 2 million people.

If there are funds remaining after full funding of the performance funding system, the committee believes that they should be used as a special fund to meet needs not adequately provided for in the regular program such as liability insurance, security, tenant services, and deferred maintenance.

Section 8 evictions

In considering this bill, the committee rejected a proposal by the administration which would have permitted landlords of section 8 existing housing projects to evict tenants without review by the local public housing authorities (PHA) which administer the programs.

The present law, which requires PHA approval, provides substantial protection for the tenant, such as the opportunity to object if the eviction violates the lease or is without good cause. At the same time, the committee believes that the present law does not unduly burden the PHA or landlord, in that it does not require a formal hearing, and eviction is automatically authorized if the PHA does not act to prevent

it within 20 days.

The committee believes that the administration has not made a persuasive case as to the need for its proposed modification of the current procedure. In addition, adoption of the proposal would leave section 8 tenants to rely on State and municipal laws for protection, and the committee does not feel that HUD has provided ample information on the extent to which this protection would be sufficient. In the absence of such additional information, the committee omitted the proposed change in eviction procedures from the bill.

HOUSING FOR THE HANDICAPPED

Section 202(a) of the bill would amend section 202 of the Housing Act of 1959 to set aside loan funds to serve the unique needs of handicapped individuals between the ages of 18 and 62 or families with a handicapped member or members of of any age. Of the amounts made available in appropriation acts for loans pursuant to section 202 for housing for the elderly or handicapped for the fiscal year commencing on October 1, 1978, not less than \$50 million shall be available for loans for the development of rental housing and related facilities specifically

designed to meet the needs of the handicapped, primarily the nonelderly handicapped. The Secretary would be required to take such steps as may be necessary to assure that (1) funds made available under this new subsection will be used to support innovative methods of meeting the needs of handicapped persons by providing a variety of housing options, ranging from small group homes to independent living complexes; and (2) housing and related facilities assisted under the new subsection will provide handicapped persons occupying units within such housing with an assured range of services and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access by such persons to the community at large and to suitable employment opportunities within the community.

This special program for the handicapped, within the framework of section 202 program, would meet special needs which have not been

adequately addressed in most section 202 projects.

Section 202(b) of the bill would amend section 202(a) (4) (C) of the Housing Act of 1959 to permit the Secretary of HUD to recapture and reallocate section 202 loans which sponsors lose or surrender after the fiscal year in which such sponsors receive their loan reservations. The current law effectively prevents such recapture and reallocation by requiring that the total amount of loans which may be made in any one fiscal year may not exceed appropriated amounts for that same

year.

The committee has been informed that section 202 sponsors have no more than 2 years in which to begin construction of their projects. However, appropriations acts do not specify that section 202 loans shall remain available for obligation beyond the fiscal year in which the loans are originally reserved. As a consequence, should a sponsor fail to use his loan in the year following his loan reservation, the money reverts to the Treasury. The Department estimates that 10 percent of section 202 sponsors lose their reservations annually. Based on that estimate, the committee believes that 2000 to 3000 units of section 202 housing are lost to production each year. The purpose of the recapture and reallocation provision is to make clear that the committee intends that section 202 loans remain available for other sponsors if the original sponsor should happen to lose or surrender his loan after the year of his loan reservation. This will ensure that production of section 202 units remains at the level that Congress has intended.

The committee is aware that in a number of instances delays in the construction of section 202 projects are not caused by the sponsor, but result from HUD's failure to process applications expeditiously. In implementing any recapture and reallocation of section 202 loans, the Assistant Secretary for Housing should make a finding that a sponsor's loss or surrender of his loan reservation was due to the sponsor's own failure to develop a workable, effective project. This finding would preclude the use of the recapture and reallocation authority to encourage HUD processing delays. Further, the committee urges HUD to make every effort to reallocate recaptured section 202 loans to quali-

fied sponsors within the same State as the original sponsor.

Sec. 202(c) would include expenses for moveable furnishings in the definition of development costs for section 202 projects for the elderly and handicapped, thus qualifying such expenses for coverage under the loan. These moveable furnishings are required by HUD as necessary to the basic operation of the project, and include such items as furniture and equipment in common areas, such as dining rooms and crafts rooms.

HIGH RISE LIMITATIONS

The committee believes that high-rate construction limitations contained in HUD's section 202 handbook do not accurately reflect congressional instructions as provided in the 1974 Housing and Community Development Act conference report. The handbook's guidelines for approval of high-rise construction are too restrictive and may unnecessarily discourage such construction.

SECTION 202 SUBALLOCATIONS

It is the intent of the committee that in interpreting section 213 (d) of the Housing and Community Development Act of 1974, HUD not be required to sub-allocate section 202 funds below the area office level, and that HUD should ensure that each section 202 project it approves is allocated sufficient funds to allow the feasible development of housing and related facilities. Furthermore, the committe believes that the area office should advertise in proposals throughout its jurisdiction, that proposals should be in accordance with local housing assistance plans (HAP's), and that projects approved should be credited against the need of a community for elderly housing as expressed in its HAP. This limited waiver of section 213(d) would remain in effect only so long as section 202 program levels remain below 30,000 units per year.

PUBLIC HOUSING SECURITY DEMONSTRATION

Sec. 703 of the bill, the Public Housing Security Demonstration Act, would declare the policy of the United States to provide for the demonstration and evaluation of more effective means of mitigating crime and vandalism in public housing projects and for the development of a comprehensive program for reducing crime and vandalism

in the Nation's public housing projects.

The threat to the security of low-income and elderly residents of public housing projects as a result of rising crime and vandalism in and around public housing projects has caused these residents to restrict their use of the living environment and to abandon these units at a time when there is an increasing demand for public housing. The committee believes that unless residential security is provided as an essential component of public housing operation, the trend of abandonment and fear on the part of residents will eventually lead to a reduction in the available public housing stock, which represents a national investment of approximately \$19 billion.

Section 203 of the bill would direct the Secretary of HUD to conduct a public housing security demonstration and evaluation program as the first step toward the development of a comprehensive plan for reducing crime and vandalism in federally assisted housing. The demonstration program would test various approaches to residential security, and would include innovative security methods, concepts

and community anti-crime techniques tailored to the particular needs of public housing projects. In selecting proposals for funding, the Secretary would be required to give priority to proposals submitted by public housing authorities which provide for the restoration of abandoned dwelling units to use, for coordination between public housing management and local government entities in providing increased security and social services to the projects and tenants, and for maximum involvement of tenants in the security program. Proposals may include security hardware as well as "software" items such as security patrols, tenant awareness programs, management improvements and social services. In addition, the Secretary would be required to use every effort to coordinate and leverage additional anti-crime funds from other Federal agencies with HUD funds under the demonstration program.

The Secretary would also be required to carry out a survey of crime in public housing and report to the Congress within 18 months. The report would evaluate the levels of crime and vandalism in public housing, make preliminary findings of various methods of reducing the levels of crime as a result of the demonstration and evaluation, and recommendations for a comprehensive program to upgrade physical security and reduce the level of crime in the Nation's public housing,

and the cost of such a program.

While the amendment would set a priority for PHA comprehensive plans which provide for the restoration of abandoned units, the committee does not intend to discourage the Secretary from testing a variety of methods for improving security in different types of housing projects, in various states of occupancy and physical condition. A broad range of demonstrations is believed essential for adequate evaluation.

SECTION 8 HOMEOWNER REHABILITATION ASSISTANCE

Section 204 would authorize a new use of section 8 existing housing funds to help lower-income homeowners to maintain and improve their existing homes by providing assistance to help meet the cost of loans for rehabilitation of their homes. Homes owned by lower-income homeowners represent a major resource of our city's neighborhoods that has largely been overlooked in Federal housing assistance programs. Furthermore, as public and private investment in cities gain momentum, assistance should be provided to poor homeowners, particularly elderly homeowners on fixed incomes, to avoid displacement of current neighborhood residents. Localities would be given the opportunity to use allocations of section 8 existing housing funds to help poor homeowners rehabilitate their homes and thus expand the successful efforts underway through community development funded rehabilitation programs and the neighborhood housing services programs of the urban reinvestment task force.

This new program would complement the extension of section 8 existing housing program for assisting modest rental rehabilitation which was proposed by the administration and also approved by the

committee.

This new program would modify the section 8 existing housing program for renters to also provide assistance to lower-income home-

owners in repaying privately financed rehabilitation loans. The assistance would cover housing costs that exceed 25 percent of income, but would be limited to the monthly costs of the rehabilitation loan to insure that real housing improvements are supported by the program.

Operationally, this new program would build on the funding procedures, eligibility and assistance criteria, and the administrative practices now in use under the section 8 programs. Local housing authorities or designated homeowner counseling entities would screen applicants in rehabilitation neighborhoods, determine the extent of home improvements needed, and assist the homeowner to get a rehabilitation loan from local lenders and to contract for the work. FHA title I home improvement loan standards on loan size, interest rates, and repayment period would apply to these loans. The committee expects that this initial phase of the program would be administered by local community development and rehabilitation agencies or by nonprofit organizations such as neighborhood housing services under the urban reinvestment task force. During the loan repayment period the local housing authority would review income and assistance levels under section 8 program criteria. Rather than making payments to landlords as in the rental assistance programs, the housing authority would pay allowable assistance to the lender.

The section would require that homeowners rehabilitation activities assisted by section 8 be located in designated neighborhoods, pursuant to a locally developed plan which is consistent with the local housing assistance plan. Because HAP's prepared for fiscal year 1979 do not either assess the needs of homeowners or contemplate any assistance for them under the section 8 program, the committee recognizes that this requirement cannot fully be met in that fiscal year. The committee recommends, instead, that the Department (1) provide for local governments, in accordance with regulations, to plan for the use of section 8 homeowners rehabilitation units in appropriate neighborhoods and (2) allocate such units on the basis of local needs and the quality of

the local plan.

Not less than \$30 million of the funds authorized for assisted housing for fiscal year 1978 would be used for the new form of section 8 assistance. This contract authority would help approximately 30,000 homeowners rehabilitate their homes through private rehabilitation

loans.

SECTION 8 RENT SUBSIDY PROGRAM FOR MOBILE HOMEOWNERS

Section 205 of the bill would authorize HUD to make rental assistance payments to owners of property on behalf of families which are eligible for section 8 assistance and own and occupy a mobile home

located on the property.

This amendment would require no additional funding. It would make eligible a new type of housing unit under the section 8 housing assistance program. The Committee does not, however, intend that allocations to individual States under the section 8 program would be changed by this section.

Current law provides rent subsidies to a wide variety of rental housing including rented mobile homes, but excludes owner-occupied mobile homes on rented sites. This section would remove that exclusion and allow owner-occupied mobile homes on rented sites to be a unit

of housing eligible for rental assistance.

Under this section the Secretary would have authority to enter into annual contributions contracts with public housing agencies or with owners of real property to provide the described assistance. The section would establish guidelines to determine the maximum monthly rent for the space on which the mobile home is located and a formula to determine the amount of assistance which can be received by the eligible individual. The amount of assistance is the difference between 25 percent of one-twelfth of the annual income and the total of (1) the monthly mobile home payment, (2) monthly utility payments, and (3) the monthly rent payment for the lot on which the home is located. In no case is the subsidy to exceed the total amount of monthly rent for the lot on which the mobile home is located. Maximum monthly rent for the lot shall be established by the Secretary based on fair market rent.

In no case would the subsidy exceed the total amount of monthly

rent for the lot on which the mobile home is located.

The Secretary would have authority to contract for payments over a period of 1 to 180 months, and to prescribe other terms and conditions necessary to provide rental assistance for mobile homeowners.

OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY HOUSING PROJECTS

Section 206 of the bill would establish a program to restore, or to maintain, the financial soundness of certain multifamily housing projects covered or formerly covered, by mortgages insured under the National Housing Act.

Without this program, lower income families now living in these projects would face the prospect of substantial rent increases, of hav-

ing housing services seriously reduced, or of being displaced.

Without action to prevent additional assignments and foreclosures, it is estimated that HUD could become the owner or mortgages of a substantial number of subsidized projects whose mortgages it currently insures.

HUD losses from insurance claims would become excessive, and the projects would continue to deteriorate, to adversely affect their surrounding neighborhoods and to undermine community development

programs, and other public or private revitalization efforts.

The sum of \$74 million would be authorized for fiscal year 1979 to assist approximately 130,000 units by providing funding up to an amount which represents the difference between estimated operating costs approved by the Secretary for the project and the projected income to be received from the project during the period for which the payments are to be made. The subsidy program would be available to owners of projects insured under the National Housing Act and assisted or approved for assistance under the section 236, 221(d)(3) below-market interest rate, or rent supplement programs, and to purchasers of these projects from HUD's inventory which are sold subject to a mortgage insured or held by the Secretary. In the case of projects purchased from HUD's inventory, the subsidy could be provided only if there is an agreement at the time of sale with the pur-

chaser to maintain the low-to-moderate income character of the project, and, in the case of projects sold after the effective date of section 206 of the bill, the subsidy would not be available unless the Secretary, at the time of sale, provides that the subsidy will or may be made available only where needed to restore or maintain the economic soundness of the project and to maintain the project's low-to-moderate-income character. It would be provided only where the project was being operated and managed in accordance with a management improvement and operating plan approved by the Secretary. HUD would determine the amount of the subsidy to each project after reviewing a detailed annual operating budget covering such expenses as debt service, utilities, taxes, insurance, maintenance, management, repairs, and necessary and appropriate reserves and allowances.

The subsidy payments would be made on an annual basis but would be payable at whatever intervals the Secretary determines appropriate. HUD would monitor both financial and management performance of the sponsor annually to determine whether the subsidy should be continued for another year and to make whatever adjustment it deems

appropriate in the subsidy amount.

In addition, this section would give the Secretary the discretion, notwithstanding the provisions of section 236(f)(1) of the National Housing Act, to provide that, for purposes of establishing a rental charge under section 236(f)(1) of that act, there may be excluded from the computation of the cost of operating a project an amount equivalent to the amount of assistance payments available for such project pursuant to section 206 of this bill. Under section 236(f)(1), rental charges are established on the basis of the cost of operating the project at specified interest rates, and each resident of the project, regardless of income, is required to pay at least the minimum rental charge established on the basis of the cost of operating the project with payments of principal and interest with an annual interest rate of 1 percent. The section would enable the Secretary to provide a mechanism for avoiding rental increases attributable to increased operating costs which otherwise would be required under section 236(f)(1).

Availability of the subsidy would enhance the marketability of HUD-owned properties and insure that, under new ownership, they would continue to serve the income groups they were originally in-

tended to house.

The subsidies originally provided under the section 236, section 221 (d) (3) BMIR and market rate rent supplement programs have proved inadequate to bridge the gap between rapidly rising operating costs and relatively static rental incomes during the past several years. During 1976, HUD's inventory of these projects grew to more than 1.366 properties, including 204 acquired projects, 950 assigned mortgages, and 212 projects in serious default.

An authorization of appropriations of not to exceed \$74 million for fiscal year 1979, and not to exceed \$96 million for fiscal year 1980 is proposed for the purpose of making subsidy payments under this sec-

tion with any amounts appropriated available until expended.

This section also would require that all rental charges in excess of the basic rental charges which are credited to the reserve fund established cursuant to section 236(g) of the National Housing Act after September 30, 1977, be merged with the appropriations for subsidy payments under this section, and that all such excess rental charges collected and paid to the Secretary after September 30, 1978, be

credited to appropriations under this subsection.

Under section 236(g) of the National Housing Act rental charges in excess of the basic section 236 rental charges are now credited to a reserve fund for making tax and utility payments under section 236. The amounts merged or credited under this provision would constitute

an addition to any amounts appropriated under this section.

The committee believes that the goal of providing financial soundness and adequate management will be furthered by section 206. But, at the same time, the committee recognizes that HUD must spell out the specifics of its "troubled projects" strategy. The committee, therefore, urges that HUD issue its revised regulations dealing with disposition of HUD-owned properties at the earliest possible time.

The committee recognizes that the provision authorizing operating assistance for troubled projects does not include those section 236 projects which are assisted but not insured by the Federal Housing

Administration.

The committee did not have available to it sufficient information regarding the number and financial condition of such projects or the financial needs of project residents to make a determination that the program should, at this time, include assisted projects not insured by FHA.

The committee was informed, however, that many of these projects are believed to be in serious financial difficulty, and that many of the residents of these projects are now paying over 25 percent of their income for rent.

The committee, accordingly, intends that HUD should study and assess the needs of assisted projects not insured by FHA and report to Congress by January 1, 1979, its recommendations concerning the

provision of operating assistance funding.

The committee expects HUD, in carrying out its program of operating subsidies for its troubled multifamily projects, to consult with officials of local governments concerning the need for operating assistance in the context of local housing assistance and community development plans.

SUPPLEMENTARY RENTAL ASSISTANCE FOR VERY LOW INCOME TENANTS

Section 207 of the bill would require the Secretary to provide rental relief for very low income tenants in all FHA-insured multifamily projects. This relief is provided to assure that those tenants with the lowest incomes pay no more than 25 percent of their incomes for rent. The committee intends that "rent" as used in this section include the cost of utilities and fuel. The committee believes that this rental assistance is an essential component of the strategy to assist financially troubled projects and tenants in need in all FHA-insured multifamily projects. Too many tenants are currently paying disproportionate amounts of their incomes for rent in these housing projects. These tenants just cannot afford increased rents in order to keep this housing financially solvent. This section would assure that the maximum relief

be given to those tenants with the lowest incomes and those tenants currently paying the highest percentages of their incomes for rent.

TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS

Section 208 of the bill would provide for tenant participation in multifamily projects, including projects subsidized by HUD and those unsubsidized projects which serve predominantly low- and moderate-income persons. The committee intends to insure that tenants are involved in all major actions concerning their housing projects, that owners cooperate in assisting tenants to obtain rental and other assistance, that tenants are not evicted without good cause, and that owners cooperate with tenant organizations.

MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY HOUSING PROJECTS

Section 209(a) of the bill would establish national policy goals for property management and disposition. It is the committee's intention that the principal goal of the program shall be to maintain the existing stock of multifamly projects as decent housing available for and affordable by low- and moderate-income families. The goals of the program include disposition of projects in a cost-effective manner in accordance with the objectives of preserving this housing for low- and moderate-income families, preserving residential neighborhoods, maintaining housing in decent condition, minimizing displacement of tenants, and approving demolition of projects only as a last resort.

Section 209(b) would allow HUD to sell projects and contract for management on a negotiated competitive, bid or other basis. This would eliminate HUD's current reliance on a low-bid management fee basis which has resulted in shockingly poor on-site management in many projects. In addition, specific selection criteria for managers

and purchasers of these projects are provided in the bill.

Section 209(c) would require that the Secretary of Housing and Urban Development maintain all HUD-owned multifamily projects in decent, safe, and sanitary condition. The committee has received testimony that many projects have actually deteriorated during the period of HUD ownership and that HUD has been unresponsive in many cases to the need for adequate maintenance of HUD-owned properties.

Section 209(d) would require that the Secretary maintain full

occupancy in HUD-owned projects.

Section 209(e) would also authorize HUD to encourage the employment and training of tenants of HUD-owned projects and neighborhood residents to perform needed maintenance and repairs of such projects.

Section 209(f) would authorize HUD to consult with and provide technical assistance to tenants and organizations to assist in developing nonprofit cooperatives to purchase HUD-owned properties.

Regarding displacement of tenants due to disposition or repair of a project, section 209(g) would provide for notice to tenants and relocations assistance to be provided to tenants.

Section 209(h) allows the Secretary to request a mortgagee in lieu of assignment to accept partial payment of a claim and to recast the mortgage.

SALES TO COOPERATIVES

Section 210 of this bill would authorize sales of HUD-owned properties to nonprofit cooperatives, including nonprofit consumer cooperatives, with 100 percent mortgages insured by HUD.

HOUSING ACCESS

Section 211 of this bill would assure that section 8 existing certificate holders are not discriminated against in projects sold by HUD to private purchasers.

PROPERTY TAXATION OF MULTIFAMILY PROJECTS

Section 212 of this bill would provide that for purposes of computing assessed value in local property taxation, the value of Federal subsidies in interest reduction payments and operating assistance provided under this bill shall not be included.

TITLE III—PROGRAM EXTENSIONS

EXTENSION OF FEDERAL HOUSING ADMINISTRATION MORTGAGE INSURANCE PROGRAMS

Section 301 of the bill would extend for 1 year (through September 30, 1979) the authority of the Secretary of Housing and Urban Development to insure mortgages or loans under certain HUD-FHA mortgage or loan insurance programs contained in the National Housing Act.

Under existing law, the authority of the Secretary of Housing and Urban Development to insure mortgages and loans under these programs will expire on September 30, 1978. After that date, the Secretary may not insure mortgages or loans under any of the major HUD-FHA insuring authorities contained in that act except pursuant to a

commitment to insure issued before that date.

Insuring authorities which will expire on September 30, 1978 include those for the following HUD-FHA mortgage or loan insurance programs: Title I—property improvement and mobile home loan insurance; section 203—basic home mortgage insurance; section 207—rental housing insurance; section 213—cooperative housing insurance; section 220—rehabilitation and neighborhood conservation housing insurance; section 221—housing for moderate income and displaced families; section 222—mortgage insurance for servicemen; section 223—miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects; section 231—housing for the elderly; section 232—nursing homes; section 233—experimental housing; section 234—condominiums; section 235—homeownership for lower income families; section 236—rental and cooperative housing for lower income families; section 237—special mortgagors; section 240—homeowner purchases of fee

simple title; section 241—supplemental loans for multifamily housing projects; section 242—hospitals; section 243—homeownership for middle-income families; section 244—mortgage insurance on a coinsurance basis; section 245—mortgage insurance on an experimental basis; title VIII—Armed Forces related housing; title X—land development; and title XI—group practice facilities.

The proposed 1-year extension of the above mortgage insuring authorities is designed to guarantee the continued availability of FHA mortgage insurance and thus to maintain and enhance the Department's capacity to contribute to achievement of the national housing goal of "a decent home and a suitable living environment for every

American family."

EXTENSION OF FLEXIBLE INTEREST RATE AUTHORITY

Section 302 of the bill would extend, through September 30, 1979, the Secretary's authority administratively to set interest rates for FHA-insured mortgage loans to meet the market at rates above the statutory maximum. Under existing law, this authority to set rates above the statutory 6 percent maximum will expire on September 30, 1978.

EXTENSION OF EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

Section 303 of the bill would extend, from October 1, 1978, to October 1, 1979, the authority of the Government National Mortgage Association to enter into new commitments to purchase mortgages under the interim mortgage purchase authority contained in section 313 of the National Housing Act, as added by the Emergency Home Pur-

chase Assistance Act of 1974.

This emergency GNMA program authorizes interim or standby authority to purchase mortgages. This authority is subject to a finding by the Secretary that inflationary conditions and related governmental actions or other economic conditions are having a severely disproportionate effect on the housing industry and that a resulting reduction in the volume of home construction or acquisition seriously threatens to affect the economy and to delay the orderly achievement of national goals. The purchase authority also must be released in appropriation acts.

Mortgage interest rates under the program must not exceed the lesser of 7½ percent or the rate prescribed for mortgages under section 203(b) of the National Housing Act. The act authorizes the purchase of conventional mortgages, as well as mortgages insured by FHA or

guaranteed by the VA.

A total of \$7.75 billion was authorized by the Emergency Home Purchase Assistance Act of 1974 and was released by June 24, 1975. The total was fully committed by August 1, 1975. The Emergency Housing Act of 1975 authorized an additional \$10 billion, subject to release in an appropriation act. The 1976 Appropriation Act released \$5 billion, of which \$3 billion was made available in January 1976. An additional \$2 billion was made available in September 1976 and, as of September 2, 1977, all remaining released emergency authority,

with the exception of a contingency reserve for amendments to existing

contracts, was committed.

The Housing and Community Development Act of 1977 extended the authority to commit to purchase to October 1, 1978. This section would extend the program to October 1, 1979, in order to maintain this standby authority.

COMPREHENSIVE PLANNING

Section 304(a) of the bill would amend section 701(e) of the Housing Act of 1954 by authorizing the appropriation of not to exceed \$57 million for fiscal year 1979 for the section 701 comprehensive planning assistance program.

Section 304(b) would amend section 701(c) of such act to require a review by recipients of comprehensive planning assistance of their plans for necessary or desirable amendments every 3 years, rather than

biennially as is required under existing law.

Section 304(c) would amend section 701(d) (2) of such act to require applicants for such assistance to submit to the Secretary every 3 years, rather than biennially, an evaluation of the progress made by it during the previous 3 years in meeting the objectives set forth in its plan. The proposal would, however, also allow the Secretary to require more frequent reviews in cases where the Secretary determines such a

period is more appropriate.

The community development block grant program under title I of the Housing and Community Development Act of 1974 requires that communities develop community development strategies and housing assistance plans every 3 years. The current biennial review requirement for 701 plans makes it difficult to link it to the CDBG strategies and housing plans. A 3-year requirement would facilitate the development of local, areawide, and State strategies that would be consistent with each other and encourage the development of local community development strategies and housing assistance plans which are better coordinated on an areawide and statewide basis.

The process involved in the reviewing and revising of comprehensive plans cannot be carried out in an effective manner every 2 years. The need for staff reviews, public input, executive approval and, often, legislative review and approval requires a longer period if these reviews and revisions are to be anything other than a proforma response

to a Federal requirement.

Section 304(d) would amend section 701(m) of such act to define the term "Indian tribal group body" as used in section 701 as meaning "any Indian tribe, band, group, and nation, including Alaska Indians, Alents, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93–638) or under the State and Local Fiscal Assistance Act of 1972—Public Law 92–512."

This amendment would apply the definition currently contained in title I of the Housing and Community Development Act of 1974 and in various other Federal statutes to the section 701 comprehensive planning program. Section 701, as now enacted, does not expressly define "Indian tribal group or body." The current administrative definition

for Indian tribes is based upon language contained in the Senate committee report on the Housing and Community Development Act of 1974, and has disqualified many tribes in Oklahoma and other States.

RESEARCH AUTHORIZATIONS

Section 305 of the bill would amend section 501 of the Housing and Urban Development Act of 1970 to authorize appropriations of not to exceed \$62 million for fiscal year 1979 for HUD research and demonstration programs under title V of that act.

The section would also authorize the Secretary to conduct demonstration programs to determine the feasibility of expanding homeownership through conversion of apartments to condominium and co-

operative ownership in urban areas.

NEW COMMUNITIES

Section 306 of the bill would amend section 720 of the Housing and Urban Development Act of 1970 to extend, from October 1, 1978, to October 1, 1979, the authority of the Secretary to make special planning assistance grants to private new community developers and State land development agencies for planning new community development programs.

This proposal would amend section 720 to extend the period during which the Secretary is authorized to provide financial assistance to public and private developers for the purpose of undertaking planning activities which are responsive to the social and environmental objectives of the new communities program or which provide for and encourage the use of new or advanced technology.

EXTENSION OF CRIME INSURANCE AND RIOT REINSURANCE PROGRAMS

Section 307(a) of the bill would amend section 1201 of the National Housing Act to (1) extend, from September 30, 1978, to September 30, 1981, the authority of the Secretary of Housing and Urban Development to provide new Federal crime insurance and riot reinsurance coverages, (2) extend, from September 30, 1981, to September 30, 1984, the Secretary's authority to continue existing reinsurance and direct insurance coverages, and (3) extend, from September 30, 1978, to September 30, 1982, the date by which the Secretary should submit to the Congress a plan for the liquidation and termination of the crime insurance and riot reinsurance programs.

The committee believes that continuation of these programs would assure availability of adequate property and crime insurance coverage, particularly in urban areas, where such coverage would otherwise be unavailable in the voluntary insurance market at an affordable cost. In addition, many of the FAIR plans making property reinsurance available in urban centers are statutorily linked to continuation of Federal riot reinsurance, and participation by insurers in the FAIR

plans is a condition to the availability of riot reinsurance.

There would be no increased cost to the Government in extending these programs. Taken together, the programs are financially selfsufficient, as the reinsurance premiums generated by the riot reinsurance program and investment income from the national insurance development fund are more than ample to cover the costs of operating the programs.

The committee intends to hold hearings concerning these programs

in the near future.

State insurance FAIR plans

Section 307(b) would amend the crime insurance and riot reinsurance program to modify the administration of FAIR plans. FAIR plans are insurance pools established by the Urban Property and Reinsurance Act of 1968 to provide property insurance coverage to property owners who are unable to receive coverage in the private market, and who are reasonable insurance risks. Section 307(b) would require that State FAIR plan boards have at least one-third public members,

unconnected with the insurance industry.

In hearings last year, the committee received testimony that many good insurance risks are being unfairly denied private insurance, particularly in the Nation's center cities, and are being forced into FAIR plans, where they receive inferior coverage and service at higher rates. The conference report on the Housing and Community Development Act of 1977 directed HUD to submit a report on the insurance availability problem, with legislative recommendations, no later than January 15, 1978. This report has not yet been submitted to the Congress. Because of this unexplained delay, the committee has had to defer consideration of other changes to the FAIR plans. The committee nevertheless expects to consider FAIR plans and the insurance availability problem in the near future, and continues to expect the administration to comply with the conference committee report in the Housing and Community Development Act of 1977, and submit the required report as soon as possible.

EXTENSION OF NATIONAL FLOOD INSURANCE PROGRAM

Section 308(a) of the bill would amend section 1319 of the National Flood Insurance Act of 1968 to extend, from September 30, 1978, to September 30, 1980, the period during which the Secretary may enter into new flood insurance contracts under the national flood insurance

program.

Under current law, authority to enter into new contracts will expire on September 30, 1978. The availability of coverage at a reasonable cost is a necessary incentive to adoption of adequate flood-plain management and flood control measures and to encouraging prudent lending practices by federally regulated lenders and Federal agencies. Provision of flood insurance through the private sector will not be realized, if at all, until loss mitigation has been substantially accomplished through the flood-plain management requirements of the act and the flood elevation rate maps necessary for actuarial ratemaking for flood insurance have been completed. This will not have been accomplished by September 30, 1978, and if the expiration date is not extended, the objectives of the program could not be met.

Section 308(b) would amend section 1336(a) of that act to extend, from September 30, 1978, to September 30, 1980, the Secretary's authority to provide subsidized flood insurance under the "emergency program" in communities which have adopted minimum flood-plain

management measures and for which the necessary actuarial rate

and flood hazard elevation studies have not yet been completed.

Under current law, this emergency authority will expire on September 30, 1978. The extension is necessary for the continued availability of the benefits of federally subsidized flood insurance in communities identified as areas of special flood hazard but for which the more precise rate maps necessary for conversion to the regular flood insurance program have not yet been completed. There is no possibility of completion of final rate maps for flood-prone communities by September 30, 1978, and section 1360(a)(2) of the act requires their completion only by August 1, 1983. Provision of the subsidized rates under section 1336 is conditioned upon a community's having adopted at least minimal standards for flood-plain management. Failure to extend the authority in this regard would constitute a breach of faith by removing availability of needed flood insurance protection from approximately 15,700 participating communities, and result in a loss of important incentives for localities to adopt measures against unsafe new construction in areas of special flood hazard.

FLOOD INSURANCE STUDIES

Section 309 of the bill would amend section 1376(c) of the National Flood Insurance Act of 1968 to authorize the appropriation of not to exceed \$114 million for fiscal year 1979 for flood insurance studies and surveys under that act.

Present law authorizes appropriations for these studies only through fiscal year 1978. The proposed amount will permit the program to remain on its current schedule and to initiate flood insurance studies

during fiscal year 1979.

FHA INSURANCE FUNDS

Repayment of losses to the FHA general insurance fund

Section 310 of the bill authorizes payments of \$165 million for repayment of losses sustained by the FHA General Insurance Fund.

The General Insurance Fund contains a number of FHA programs which have suffered claims in excess of insurance premiums in recent years. Some of these defaults have resulted from unforeseen developments such as inflation in energy prices, while others are attributable to the improper loan underwriting practices which were common during FHA's high volume years in the late 1960's and early 1970's.

The administration requested an open ended authorization of such sums as may be necessary to cover the fund's losses. The appropriation requested, however, was \$165 million, the amount which HUD estimates will be needed for this purpose through fiscal year 1979. The committee did not wish to provide an open ended authorization, and the bill, accordingly, provides for only the \$165 million which is immediately needed.

NATIONAL NEIGHBORHOOD POLICY ACT

Section 311 of the bill provides for a 3-month time extension and \$500,000 in additional funding for the National Commission on Neighborhoods.

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This Commission was created last year under legislation which provided \$1 million for 1 year Presidential Commission to recommend policies for strengthening and stabilizing the Nation's neighborhoods. vided \$1 million for 1-year Presidential Commission to recomend policies for strengthening and stabilizing the Nation's neighborhoods. When the bill was originally introduced, however, it provided for a 2-year commission with funding of \$2 million. In scaling it down last year, the committee adopted the following report language: "... the committee has reservations about shortening the Commission's study period, recognizing that this will very likely reduce the scope of the work which was envisioned by the original bill.... In order to assure adequate consideration of the issues to be covered, the committee agreed that the Commission should, after its first 6 months of operation report to the committee concerning its work, and make recommendations concerning the need for an extension of its study period and its funding needs . . ."

As a result, the National Neighborhood Commission sent the committee a letter on April 28, 1978, requesting the time extension and additional funding which are incorporated in the bill. The letter indicates that these changes are needed primarily to enable the Commission

to complete its agenda of neighborhood-oriented research.

The extension will result in submission of the Commission's final report by April 19, 1979.

NATIONAL INSTITUTE OF BUILDING SCIENCES

Section 312 of the bill would extend the existing funding authority for the National Institute of Building Sciences through fiscal year 1982. The institute was established as a nongovernmental, nonprofit corporation to develop and publish standards for the building industry and to provide research and technical services to public and private entities concerned with the building sciences.

The Housing and Community Development Act of 1974 provided authorizations for Federal startup funding of \$5 million for fiscal year 1975, and \$5 million for fiscal year 1974. The Housing Authorization Act of 1976 extended the \$10 million funding authority through fiscal

year 1978.

At the present time, only \$1 million of the \$10 million authorized has been appropriated. The institute has only begun to carry out its work program. The committee believes that there is a need to provide the institute with ample startup time, as well as ample startup funding. It, therefore, recommends that the total funding authority established in 1974 be extended through 1982 in order to enable the institute to phase in its operations in a careful and efficient manner.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE FUNCTIONS

Section 313 of this bill would provide for increased authorizations and increased maximum mortgage amounts for the GNMA special assistance tandem plan. Under this program, private lenders can make below-market rate mortgages (usually 7½ percent), for special purposes, and can then sell them to GNMA at a price which yields the

lender a market-level return. GNMA may subsequently resell the mort-gages, thus recapturing the Government's outlay, minus the value of

the interest rate subsidy.

The administration proposed to purchase \$2 billion in loans under this program in fiscal year 1979—\$1.5 billion would be used to finance development of section 8 low-income housing projects, and \$500 million would be used for a new "targeted tandem" program which will finance construction of middle-income apartments projects in eco-

nomically distressed cities and neighborhoods.

Section 313(a) of the bill would amend section 302(b) (1) of the National Housing Act to increase the maximum original principal obligation of most mortgages which may be purchased by GNMA under the special assistance program to \$60,000 for a 1-family residence; \$65,000 for a 2- or 3-family residence; \$75,000 for a 4-family residence, and, in the case of property containing more than four dwelling units, to \$38,000 per dwelling unit (\$45,000 in high cost areas) for that part of the property attributable to dwelling use. Under existing law, the maximum original principal obligation on any mortgage purchased by GNMA under section 305 is generally \$33,000 (\$38,000 in high cost areas) for each family residence or dwelling unit covered by the mortgage, plus an additional \$2,500 for each such residence or unit which has four or more bedrooms.

Section 313(b) of the bill would amend Section 305(c) of the National Housing Act to increase by \$500 million the total amount of mortgages which GNMA may purchase or commit to purchase after

October 1, 1978, for the special assistance tandem plan.

The special assistance program operates as a revolving fund which is replenished continually from repayments of loans which GNMA owns, and from sales of mortgages from its portfolio. In its budget submission, the administration estimated that these recaptured funds would provide \$500 million in previously authorized money for fiscal year 1979. Accordingly, the President requested a \$1.5 billion increase in the program's authorization ceiling, in order to provide for the total planned purchase level of \$2 billion.

Subsequent to the submission of the budget, the administration has reestimated in its projection of the funds which will be recaptured, increasing the amount to \$1.5 billion. This will require an increase of only \$500 million in the authorization ceiling, and this amount is

therefore contained in the committee bill.

COLLEGE HOUSING

During its consideration of program extensions the committee rejected a proposal by the administration to terminate the college housing program, which provides below-market interest loans to colleges for housing and other educational facilities. The committee determined that continuation of the program is necessary at this time in order (a) to assist institutions of higher learning in complying with new laws which require that facilities be made accessible to persons who are handicapped; (b) to finance improvement of facilities in order to conserve energy; (c) to rehabilitate older facilities; and (d) to provide additional facilities on campuses where increased enrollments have re-

sulted in a shortage of facilities and, frequently, competition in adjacent residential areas for an already short supply of low- and moderate-income housing. The committee agreed to continue the program without objection.

TITLE IV—CONGREGATE SERVICES

This title would set forth congressional findings that congregate housing combined with supportive services is a proven, effective means of preventing unnecessary institutionalization of functionally impaired persons, that existing law has failed to encourage the development of congregate housing for low-income persons, and that supportive services must be provided in a coordinated manner and must be sufficiently available on a long-term basis for congregate housing to succeed.

Title IV would establish a new program of funding for congregate public housing services within the Department of Housing and Urban Development as a step toward full implementation of the congregate housing provisions of the 1970 Housing Act. Section 7 of that act requires the Secretary of HUD to encourage the development of congregate housing for low-income elderly and disabled individuals. Congregate housing is meant to combine residential shelter with such social services as meals, housekeeping assistance, and help with grooming and personal hygiene in order to enable functionally impaired persons to remain substantially independent within their own residences, and thus avoid unnecessary placement in full care institutions.

Testimony presented to the Senate Subcommittee on Housing and Urban Affairs on April 13, 1978, underscored the growing need for congregate housing; especially among those low-income citizens in the post-65 age group, which is the fastest growing segment of the population. Between the years 1976 and 2000, the general population is expected to increase by 23.3 percent, but the age group of 65 and above should climb by 33.4 percent during that same period. Estimates of the number of persons nationwide who need a congregate housing environment range as high as 3 million, the overwhelming number of whom are low-income elderly. Without assistance, they are unable to obtain services they need to remain in their own households.

Since the enactment of the 1970 Housing Act, development of congregate housing for low income persons has been virtually nonexistent As a result, a great many elderly and disabled people have no choice except institutionalization which they neither want or need, or placement with relatives or friends who are usually unequipped to cope fi-

nancially or emotionally with such an added burden.

In the subcommittee hearings on congregate housing, witnesses repeatedly pointed out that society pays a heavy price in both human and dollar terms for the premature and unnecessary placement of individuals in nursing care facilities. While the human costs are incalculable, the dollar costs are enormous. According to figures supplied by the Social Security Administration, the Federal share of maintaining an individual in a nursing home now averages \$5,500 annually. However, if that same person were assisted in congregate housing, the cost would be only a half or a third as much, even when reductions in food stamps and SSI benefits resulting from institutionali-

zation are taken into account. Testimony was received that the nursing home expense in San Antonio varies from \$25 to \$50 per day per person. On the other hand, an elderly individual in that city could receive a basic package of support services in a congregate housing

environment for \$2 to \$5 per day.

The primary reason for the failure to develop congregate housing for low-income persons has been the lack of available support services that are compatible with the requirements of congregate housing. Despite the existing array of social service programs on the Federal and State level, social services are often unavailable from one area to another, or are inaccessible to many functionally impaired people. Furthermore, congregate housing projects depend on long-term guarantees of service availability because these projects must contain certain special features such as common dining facilities and units without kitchens. Any interruption of service would make congregate housing units unliveable and impossible to amortize. Since existing social service programs cannot guarantee continuing service availability, virtually no investors, including the Federal Government, have been willing to build congregate housing projects for low-income people. Local housing authorities themselves are too financially hard-pressed to fill the gaps in social service programs using only their own limited resources, even though many are struggling to do so.

The legislation would address these problems by authorizing the Secretary of HUD to enter into 3 to 5 year renewable contracts with local public housing agencies to fund otherwise unavailable social services that these agencies would provide to their frail elderly and younger handicapped tenants who would face institutionalization without such

assistance.

It is intended that contracts for less than 5 years be concluded only when such contract terms are necessary to enable a local housing agency

to undertake a congregate housing services program.

The legislation would establish three basic concepts: (1) Congregate housing and social services are inseparable, (2) congregate housing services must be provided in a coordinated package, and (3) congregate housing depends upon the secure and continuous funding of social services. Local housing agencies would receive their funding through application to the Secretary. The committee intends that all projects owned and/or managed by local public housing authorities would be eligible to receive service funding assistance from HUD, provided that these projects conform to the structural and other applicable requirements of the title.

The legislation would specify that a full meals program must be part of each congregate housing service package funded by HUD and that housekeeping assistance, personal care assistance, and other services conducive to the maintenance of independent living may be included in the service package. A full meals program must provide at least 2 meals per day for 7 days a week. Transportation to reach shopping or other community activities could also be funded under the legislation if the housing authority was unable to provide such service under other appropriate local or Federal programs. The committee intends for local housing authorities to have flexibility in the development of social service programs that adequately meet the needs of their

functionally impaired tenants. The committee believes that such service plans should not, however, include social services that encourage the development of projects which are institutional in character. Funding for health services in congregate public housing would not be precluded by the legislation, but such services must not be of the kind associated with nursing homes or other institutions. For example, visiting nurses or a first-aid service would, in the committee's view, fall within the range of services contemplated by the legislation because the non-institutional nature of the congregate housing project would be preserved. However, funding for full time, onsite physicians or the staffing of an infirmary would not be within the scope of the legislation.

In providing funding for services the Department should cover the costs of necessary items such as furniture, eating utensils, and housekeeping equipment, but not permanent fixtures such as sinks or

stoves.

Under the legislation, eligibility for congregate housing services would be extended to the elderly as well as the nonelderly, provided that their impairments conform to the definition contained in section 404. The committee intends that only a minority of the residents of a congregate public housing project for the elderly be eligible for support services funded under this legislation. The other tenants would not require support services. The committee believes that a congregate housing project for the elderly composed only of impaired people would result in an undesirable institutional atmosphere. The committee, however, recognizes that congregate housing projects for younger people with disabilities, especially small group homes, may require support services for all residents. The committee notes that the legislation does not encourage elderly and nonelderly persons to share the same building, but that the legislation accommodates those living arrangements where they currently exist.

The legislation would require local public housing agencies to maintain whatever financial effort they were making to provide support services to their impaired tenants prior to HUD's approval of their services funding applications. The Secretary may waive this requirement if it is determined that a housing authority's efforts to meet the service needs of its tenants will be impeded. The purpose of the restriction is to make certain that local public housing agencies do not impose cost obligations on HUD that the agencies have already

accepted and can continue to accept on their own.

The legislation would provide for close coordination between local housing authorities and certain specified local social service agencies in determining the availability and sufficiency of existing social services. The procedures provided by the legislation are designed to insure that the local housing authorities benefit from the expertise and knowledge of those local persons familiar with social service programs, and to provide a means of enforcing the legislation's prohibition against HUD's funding of services already affordable, accessible, and sufficiently available on a long-term basis to impaired public housing residents from any other public or private source. The committee considers a service to be long-term if it is guaranteed to be uninterrupted for a period of at least three years. Public housing agencies would consult with area agencies on aging (State agencies on aging, where

applicable) and with agencies responsible for the handicapped, which may include vocational rehabilitation agencies and developmental disabilities councils, as well as State Departments on Mental Health or Mental Retardation, or Developmental Disabilities, if appropriate. The committee recognizes that adequate social services of the type funded by HUD may become available from other sources during the term of a public housing authority's contract with HUD. In such instances, the committee intends that the housing authority substitute such newly available services for those funded through HUD either when the housing authority's service contract with HUD expires, or

sooner, if desirable and possible.

Present law requires the absence of kitchens in some or all of the units in a congregate public housing project, and further requires that each such project be connected with a common dining facility in which meals can be prepared. Because projects of this unique design must rely so heavily on the uninterrupted availability of services, few congregate housing projects for low income persons have been established. In order to facilitate the establishment of congregate housing, the legislation removes the "no-kitchen" requirement. It also would provide that projects built or under construction prior to 1979 must have only a common dining facility where meals can be served, and that projects constructed after 1978 must have a congregate facility where meals can be prepared as well as served. These provisions would insure that the legislation would assist people currently living in public housing projects which can accommodate a congregate housing services program, as well as those who would enter congregate public housing projects established in the future.

The committee believes that local housing authorities should have flexibility in determining whether the particular needs of their tenants and of their rental markets require the construction of units that do not have kitchens. The committee, however, strongly believes that wherever possible units in congregate housing projects should contain kitchenettes at the very least in order to prevent the development of an institutional atmosphere and to promote independence, socialization, and psychological health among congregate housing

residents.

The legislation would establish a professional assessment committee of at least three persons qualified to assess the functional abilities and the service needs of public housing residents. One of the committee's members should be a medical professional. The expertise of the members should be appropriate to the makeup of the projects to be assisted. The committee does not intend that HUD service funding be used to compensate professional assessment committee members for their appraisal and assessment services.

As part of the required application procedure, local housing authorities would be required to submit draft applications to Area Offices on Aging and to local (or State, where applicable) agencies responsible for programs for the handicapped. These service agencies would be called upon to review and comment on the draft applications, and local housing authorities must take into account these comments in the development of final applications to HUD. Additionally, the

comments of the service agencies would be required to be submitted to HUD by the local housing authorities along with the final applications. This procedure would afford HUD a means to determine if the cooperation between social service agencies and housing authorities has been sufficient. The committee believes that the Secretary should refuse to fund those applications that vary substantially from the social service agencies' comments.

The legislation would require that local housing authorities establish fee schedules for tenants eligible for congregate housing services. The fee schedules would be based on a sliding scale of income. Tenants too poor to pay for their services would not be required to do so, while at the same time no one would be obliged to pay more than the local

agency's actual per capita cost of providing the service.

Although the legislation would not admit nonproject residents into the congregate housing services program, it would permit non-impaired residents of the project where congregate services are provided, to join in the meal program. Such individuals would be required to pay no more than the per person cost of each meal. This provision is meant to promote social interaction among building residents, and to encourage economies of scale in meal services.

The committee intends that proposed fee schedules be subject to the review and comment of those social service agencies expected to offer comments on draft applications to HUD for service funding. The committee further believes that HUD should make every effort to insure that fee schedules are consistent with schedules established for similar services provided through other Federal departments and

agencies.

A reserve fund equivalent to no more than 10 percent of each year's authorization would be established under the legislation to permit HUD to adjust its service assistance to local housing authorities when circumstances warrant. A housing authority would be able to require an increase in its service funding if, for example, the local service provider with whom it has contracted for meals goes out of business after only 2 years of a 5-year contract, and the agency must secure meal services from another service provider at a higher cost. It is intended that the reserve fund contain no more than 10 percent of the authorization for any fiscal year at any one time. Excess reserve fund amounts could be used to fund local housing agency applications that may otherwise go unfunded. It is also the committee's intent for money uncommitted or recaptured from previously approved applicants to be reallocated to other public housing agencies.

The value of support services which tenants receive as a result of this legislation would not be counted as income for purposes of determining eligibility under any other state or federal program. The purpose of this provision is to ensure that tenants do not lose their medicaid, food stamps, or SSI benefits because of their participation in a congregate housing services program. In addition, to prevent loss of SSI or other benefits, the legislation would consider congregate housing residents to be residents of their own households, not of public

institutions.

The legislation would require local housing agencies to employ in the congregate services program elderly and handicapped tenants who do not themselves require such services. The committee does not intend that the wages earned by these persons should result in their ineligibility for continued residence in public housing. The wage scale that would be established in the legislation is identical to that set forth in title IX of the Older Americans Act.

The legislation would authorize \$165 million for the fiscal year 1979-83. For fiscal year 1979, the authorization would be \$20 million; for fiscal year 1980—\$25 million; for fiscal year 1981—\$35 million; for fiscal year 1983—\$45 million.

The progressive increase in funding assumes an increase in the scope of the program as local housing agencies gather valuable insights from the initial years of others' programs, and as HUD develops expertise in administering the legislation. This recognzes that some existing public housing projects would have to complete some degree of renovation for establishment of central dining facilities before they become eligible to receive congregate housing services assistance. The fiscal year 1983 funding level has been set to be sufficient to support the provision of congregate housing services to all of the 45,000 persons who live in public housing and who are in need of support services to retain their independence.

TITLE V-RURAL HOUSING

AUTHORIZATIONS

The committee is recommending a 1-year extension of the various programs of the Farmers Home Administration (FinHA). With regard to budget authorizations, the committee recommends a departure from our practice in the past of adding the necessary authorization increase for each program each year to the cumulative total of authorizations for that program for all of the years since its inception. Rather, the committee is recommending authorization of specfic amounts for each program for fiscal year 1979. In the view of the committee, this procedure will more clearly reflect the level at which the Congress expects the FmHA to carry on its programs, and will facilitate the ability of the Congress to perform its oversight responsibilities.

Program extensions and authorizations are provided in section 501

of the bill, as follows:

Section 501(a) would extend the very low-income housing repair loan and grant program under section 504 of the Housing Act of 1949 through September 30, 1979, and authorizes \$48 million for that program for fiscal year 1979. The committee feels that this is one of the most useful programs used in rural areas for very low-income families. Through combining a small grant and loan, these families can continue as homeowners and upgrade the quality of their shelter. The program has been very successful, and the committee feels that it should be continued.

Section 501(b) would extend the farm labor housing grant program under section 516 of the act through September 30, 1979, and authorizes \$38 million for fiscal year 1979. Under this program, grants are made to governmental or nonprofit sponsors of housing projects for

migrant and other domestic farm workers. Housing needs of migrant and other farm labor remain critical. The committee strongly supports the increased emphasis placed by the administration on meeting their needs.

Section 501(c) would extend the research and study program under section 506 of the act through September 30, 1979, and provide authority of \$5 million for fiscal year 1979. This represents an increase of \$4 million over the amount requested by the administration. In recent years, the administration has requested, and the committee has authorized, \$1 million annually for this program. Last year, the Congress mandated an in-house research capability for the Farmers Home Administration ("FmHA"). Little has been accomplished. The committee strongly believes that the Farmers Home Administration should carry out research and studies at a level commensurate with the rural housing needs which remain to be addressed. The committee feels that a research budget of \$5 million for rural housing is extremely modest, especially in view of the fact that there is no existing data-bank for rural housing such as exists for urban housing. New approaches and methods should be developed to solve these problems, including rehabilitation techniques and consideration of traditional, as well as, contemporary and experimental construction materials and designs.

The committee also intends that FmHA conduct research concerning rehabilitation needs in rural areas and examine benefits of rehabilitation in rural areas with unused and abandoned housing.

Section 501(d) would increase the limit upon annual outstanding obligations for loans under the section 514 farm labor housing loan program from \$25 million to \$38 million. The committee reiterates its strong support for efforts to meet the housing needs of migrant and other farm labor.

Section 501(e) would extend the multifamily rental and cooperative housing program, under section 515 of the act, through September 30, 1979. The committee believes that this program has served well in providing needed rental housing in rural areas, and the committee rec-

ommends a 1-year extension.

Section 501(f) would extend the singlefamily homeownership loan program, under section 502 of the act, through September 30, 1979. Section 502 is the basic FmHA home loan program and has worked extremely well. The committee commends FmHA on the adminis-

tration of the program and recommends a 1-year extension.

Section 501(g) would extend the mutual and self-help loan and grant program under section 523 of the act through September 30, 1979, and would provide annual budget authority of \$16.5 million. This represents an increase of \$6.5 million over the authority in previous years, which is in keeping with the effort to target resources toward the greatest area of need. The committee recommends this extension and increase.

Section 501(h) of the bill would increase by \$3 million the selfhelp found, out of which loans for mutual and self-help site acquisition and development are made. The fund is presently \$3 million, and would be increased to \$6 million by this section of the bill. The committee feels that demand for site loans will increase due to the increase in funds for the regular self-help loan and grant progam, and recommends this modest increase for site loans.

STUDY OF MIGRANT HOUSING CONDITIONS

Section 502 of the bill would add to section 506 of the act a provision requiring the Secretary of Agriculture to conduct a study of migrant farm labor housing and report the results of the study within one year, together with recommendations for correcting deficiencies. It is expected that the study will identify and quantify the extent of this serious problem and will bring forth meaningful recommendations showing what is now being done under existing authority (including the new authority granted in the committee bill) and the need for any new legislative authority. In section 501(c) of the bill (discused earlier), the committee has recommended an increase of \$4 million in the FmHA research budget. The committee believes that this increase should make it possible for FmHA to conduct a thorough and comprehensive analysis of migrant housing, which will aid the Congress in shaping effective programs to upgrade migrant labor shelter throughout the country.

FORECLOSURE

Section 503 of the bill would amend section 510(d) of the act to add a provision prohibiting foreclosure or transfer action against a FmHA borrower unless he or she has been given prior notice and consideration of the availability under section 505 of the act of a moratorium on payments. It has come to the committee's attention that some FmHA borrowers may have suffered foreclosure of their loans without knowign of their right to apply for a moratorium on payments of the mortgage loan. Often circumstances make it impossible for FmHA borrowers to meet their payment schedule. By working together and through mutual agreement, FmHA and the borrower may be able to arrange a moratorium on payments, and thereby avoid a loss to both. The committee believes that this provision of section 505 of the act can benefit both the Government and the borrower, and recommends this section of the bill in order to assure that foreclosures are not effected without consideration of the moratorium.

APPEALS PROCEDURES

Section 504 of the bill would amend section 510 of the act by adding a new provision requiring the Secretary of Agriculture to promulgate rules and regulations setting up a new procedure under which appeals may be taken from adverse decisions by FmHA. Under present procedure, the only appeal is usually to the County Supervisor who made the original decision denying, reducing, or terminating assistance. While limited appeals provisions have been adopted by FmHA, the committee believes that these provisions are seriously deficient in terms both of procedural and substantive due process and in the arbitrary limitation of their availability to only certain classes of FmHA borrowers. Under this section of the bill, the committee would mandate an appeals procedure which is designed to assure the right of

appeal to an impartial official who has the authority to overturn the decision.

DOMESTIC FARM LABOR HOUSING

Section 505 of the bill would authorize this Secretary to waive this "credit elsewhere" requirement which section 501(c)(3) of the act extends to farm labor housing loans authorized by section 514 of that act.

It has come to the Committee's attention that farm labor housing loans are not being utilized as widely as they might for migrant farm labor. Farmers who employ migrant workers are often unable to show that credit is not available from other sources. In some instances, the farmer may have a net worth sufficiently high to qualify for private lending, yet private financial institutions are reluctant to make loans for this purpose. Under the present program, these farmers are unable to get assistance from FmHA. In addition, the Secretary would also be authorized to waive the interest rate limitation of one percent, thereby making it possible for such loans to be made at rates ranging up to the rate paid on Federal obligations of comparable maturities.

SPONSORS PRIORITY

Section 506 of the bill would amend section 516(e) of the act to prohibit the Secretary from giving priority to any one of the several types of authorized sponsors of farm labor housing under the section. The act authorizes grants for farm labor housing to states or political subdivisions thereof, broad-based public or private nonprofit organizations, or nonprofit organizations of farmworkers. The committee feels that the funds under this program should be available equally to each of the types of authorized sponsors.

HOMEOWNERSHIP ASSISTANCE

Section 507 of the bill would authorize a new program to assist low-income rural families who are unable to own a home even with the existing interest-subsidy assistance, to own their home. Assistance payments under the program would represent the difference between the cost of homeownership (principal and interest, taxes, insurance, utilities, and maintenance) and 25 percent of adjusted family income. The Secretary may provide for recapture of all or a portion of the total assistance payments upon disposition or nonoccupancy of the home. In providing for recapture, provisions may be made to provide incentive for the borrower to maintain the property in marketable condition and, in appropriate cases, for a relocation allowance. All payments would be secured by the lien on the property held by the Secretary, but would not be considered as income or resources by the borrower (except as to laws relating to taxation).

The Committee believes that this provision recognizes a basic characteristic of rural life that differs somewhat from the urban environment, and would equalize the availability of decent shelter between urban and rural dwellers. In rural areas adequate rental housing

is not available. This is true for a variety of reasons. There is, of course, a strong preference among rural people for owning their home, but this is not the whole story. Rental housing sponsors and developers do not exist in many rural communities. Many rural families do not live in an "established place or town," which is a rental-assistance requirement under FmHA regulations. Many rural people already own a small farm or a small plot of land which they call home. If they cannot build their house there, they won't build at all. Rural people tend to have large families, and the 1- or 2-bedroom rental units typically assisted by FmHA are often not suitable.

The committee bill provides broad authority to the Secretary in developing this new program. Nevertheless, the committee intends that any implementation of the program accommodate certain basic

considerations which the committee feels are essential.

The committee is concerned that the family be encouraged to feel that the home is theirs, to have a stake in the value of the house, and thus to properly maintain it. A major way to accomplish this is by developing a recapture formula which assures that the family's share

will increase proportionally as the house appreciates in value.

Another important factor is that the greater the percentage of the total shelter costs contributed by the family over the period of occupancy, the greater the percentage of the net gain the family should receive, and vice-versa. As the family income increases, its payments will also increase and thus it would receive a greater percentage of net gain in sale of the house. This will serve as an inducement to low income families to be upwardly mobile.

Furthermore, the recapture formula should be east in such a way that its impact upon the family can be and will be easily explained to the family. For certain families, particularly those whose earnings are seasonal in nature, the committee believes that these families should be allowed to pay more in those months when they have more income and less in those months in which income is very low or non-existent, provided that their total annual payments equal 25 percent

of their income.

With respect to that component of household expense involving maintenance, the committee would strongly recommend that a replacement or maintenance reserve be considered as integral to those expenses which a family might ordinarily incur as an incident of ownership of a house. Such a reserve would be available to cover extraordinary maintenance costs beyond the normal day-to-day costs of keeping up a home. Such extraordinary expenses might include the cost of replacing a furnace, roof, or major kitchen appliances (range, refrigerator, et cetera). The creation of a reserve would permit the homeowner to make small incremental payments so that the funds would be there when needed. At the same time, the funds would also be available to FmHA to apply to a house which was not properly maintained by the family.

Finally, the committee intends that all proceeds of recapture be returned to the rural housing insurance fund to be available for further assistance payments to FinHA borrowers under its home-

ownership program for low- and moderate-income families.

RURAL AREA

Section 508 of the bill would amend section 520 of the Housing Act of 1949 to expand the definition of the term "rural area." At present, Farmers Home Administration is permitted to make loans only in rural areas, which are defined by section 520 of the act to include, in part, localities which have a population between 10,000 and 20,000 which (1) are not contained within a standard metropolitan statistical area ("SMSA"), and (2) which have a serious lack of mortgage credit.

The committee determined that there are small communities throughout the country which are within standard metropolitan statistical areas and continue to have serious shortages of mortgage credit. The committee bill would make these communities eligible for Farmers Home Administration assistance, when the Secretary of Agriculture and the Secretary of HUD determine that there is a serious lack of mortgage credit, particularly for low- and moderate-income persons.

REMOTE TITLE CLAIMS

Section 509 of the bill would require the Secretary to make a study of the problems encountered by potential FmHA applicants whose title to their land may be encumbered by remote title claims. This problem has come to the attention of the committee from several areas of the country. In the South, many titles are subject to remote claims by heirs of former owners; in New Mexico there is a problem with Spanish land grants; and in Alaska there are lands subject to claims by native Alaskan Indians. Often, the absence of adequate surveys in early titles has complicated the problem, The purpose of the study is to examine all of these matters and report findings, conclusions, and recommendations to the Congress within 1 year. The committee feels that such a study is essential before the Congress can attempt to make the full range of FmHA assistance available to these prospective FmHA applicants.

STUDY OF EMERGENCY SEWAGE AND POTABLE WATER PROGRAM

Section 510 of the bill would require the Secretary to conduct a survey to determine the approximate number of rural housing units without access to sanitary waste facilities or potable water or both, and report the same to both Houses of Congress within 6 months, together with a projection of the cost of implementing an emergency program to provide such facilities for such housing units within two years.

The committee is greatly concerned about the existence of a large number of housing units in the country which do not have access to potable water or sanitary waste facilities. This condition creates an acute and critical health problem for many people and must not be

tolerated.

The committee expects that this report will reveal a means of correcting these very basic housing deficiencies.

TECHNICAL AND SUPERVISORY ASSISTANCE

A program of technical and supervisory assistance for low-income families is presently authorized by section 525 of the act. Funds in the amount of \$10 million for a grant program and \$10 million for a loan program have been authorized for some time. No funds have been ap-

propriated and no program presently exists.

The committee believes that the need for such a program will become acute with the implementation of the administration's targeting of FmHA resources toward low- and moderate-income people, particularly the implementation of the new low-income homeownership assistance program. Benefits flowing from such an effort will be shared by both FmHA and its borrowers. Needless, time-consuming, and costly problems can and will be avoided through proper counseling and advisory assistance. The committee strongly recommends that such a program can be initiated.

TITLE VI—NEIGHBORHOOD REINVESTMENT CORPORATION ACT

The committee adopted an amendment incorporating the Neighborhood Reinvestment Corporation Act into the bill as title VI. This legislation, which passed the Senate last year, would formalize and expand the experimental programs currently conducted by the Urban Reinvestment Task Force, under the auspices of the Federal Home Loan Bank Board, HUD, and the other Federal financial regulatory

agencies.

This title would find that the task force's program has proved its worth as an urban revitalization tool, and can best be continued and expanded in the future through a corporate framework. The task force is currently operated out of funds authorized from HUD's research budget. The committee believes that the program has now grown beyond the experimental, research-oriented stage, and requires both a separate funding mechanism and a more stable and formal

institutional format than the research status can provide.

The committee believes that the task force's affiliation with the five financial regulatory agencies and HUD is an essential ingredient in its success. This interagency character would be extremely difficult to maintain if, in the conversion from experimental to permanent status, the program was subsumed by one of the participating agencies. The bill would avoid this problem by structuring the new program as a separate corporation. At the same time, it preserves the program's critical linkage to the agencies, by making them members of the new Corporation's Board of Directors.

Title VI would create the Corporation, and would specify its powers and general responsibilities. It would provide for an authorization of \$15 million in fiscal year 1979, \$20 million in fiscal year 1980, and

\$30 million in fiscal year 1981.

TITLE VII—MISCELLANEOUS

TITLE I MULTIFAMILY LOAN LIMITS

Section 701 of the bill would increase loan ceilings and the repayment period for multifamily property improvement loans insured

under title I of the National Housing Act. The maximum insured loan would be increased from \$25,000 to \$37,500, and the average per unit limit would be increased from \$5,000 to \$7,500. The repayment period would be extended from 12 years and 32 days to 15 years and

32 days.

In 1977, Congress increased the loan limit and the repayment period for single family units, but not for multifamily structures. This was the first increase and extension since 1974. As a result of this action, inconsistencies have developed in the program. For example, single family unit loans currently have a longer repayment period than multifamily building loans. In addition, single family unit loans have a higher ceiling than loans for two-family structures. Since 1974, title I multifamily insured loans have experienced a decline in purchasing power as prices have climbed, especially for construction materials.

The committee believes that the increased loan ceilings and repayment period provided in the legislation are necessary to restore the purchasing power of multifamily insured loans at a time of rising prices and increasing demands for home improvement, and to remove

the anomalies that now exist in the program.

MULTIFAMILY MORTGAGE INSURANCE

Section 702(a) of the bill would amend section 207(c) of the National Housing Act by reducing, from eight to five units, the minimum

size of a project which may be financed under section 207.

Present section 207 authority is limited to structures containing eight or more units. The proposal would close the gap between HUD's basic single family and multifamily mortgage insurance programs, because the single family programs cover structures of one to four dwelling units. It would also bring the section 207 authority into conformity with the insurance provisions of sections 220, 221(d)(3) and 221(d)(4) of the National Housing Act. In conjunction with the refinancing provisions of section 223(f), this amendment would further neighborhood stabilization by permitting FHA insurance of five-, six-, and seven-unit existing rental dwellings which are now ineligible under section 223(f), inasmuch as projects under that program are insured pursuant to section 207. Many conventional projects in the central city which currently cannot make use of section 223(f) financing because of the eight-unit floor in section 207(c)(3) would be made eligible under the amendment.

Section 702(b) of the bill would amend section 241(d) of the National Housing Act to authorize the Secretary of HUD to bid, in the foreclosure sale of a property covered by a senior non-FHA-insured mortgage or loan with respect to which the Secretary has made a supplemental loan under section 241, an amount up to but not in excess of the total unpaid indebtedness secured by such senior mortgage plus taxes, insurance, foreclosure costs, fees and other expenses. If the Secretary acquires title to or is assigned a loan covering a project subject to a non-FHA-insured mortgage, the Secretary would be authorized to make payments from the general insurance fund and take such other steps as may be deemed appropriate to preserve or

protect the Secretary's interest in the property.

HUD has been reluctant to insure supplemental loans under section 241(d) of the National Housing Act which authorizes FHA insur-

ance of a junior mortgage on projects subject to an existing conventional uninsured mortgage because of the lack of explicit statutory authority necessary to enable HUD to protect its security interest in the mortgaged property. Under present law, the Secretary does not have statutory authority at a foreclosure sale to bid in excess of the outstanding principal balance on the insured junior mortgage and no provision is made for reimbursement of amounts bid by the insured lender at a foreclosure sale. Without authority to bid, the holder of the junior mortgage risks seeing its security interest extinguished at a foreclosure sale. This would occur in any case where the property is sold to a third party for an amount sufficient only to pay off the debt secured by the first mortgage (which extinguishes the security interest of the Secretary). The committee believes the Secretary must have the authority to bid in at a foreclosure sale, pay off prior mortgages, and take title to the property in those instances in which such action appears to be economically worthwhile. The omission of such discretionary authority from section 241 appears to be the result of a legislative oversight. This authority is provided in the other FHA supplemental loan programs—section 203(k) and section 220(h).

The committee emphasizes that this authority is discretionary and would not be used in all situations. HUD would bid in and attempt to acquire a property only where potential resale value appeared adequate to cover the combined outstanding indebtedness of the first

mortgage and of HUD's security interest.

MORTGAGE INSURANCE FOR NONRESIDENT CARE FACILITIES

Section 703 of the bill would amend section 232 of the National Housing Act to provide that nursing homes or intermediate care facilities covered by mortgages insured under that section may include such additional facilities as may be authorized by the Secretary for the nonresident care of senior citizens and others who are able to live

independently but who require care during the day.

Existing legislation prohibits FHA-insured elderly day care facilities because of the requirement that care provided by FHA-insured nursing homes or intermediate care facilities be "continuous." (Sec. 232(b)). Conventionally financed nursing homes and intermediate care facilities are including day health care programs and space for such programs for the elderly as a less expensive way of caring for the elderly or other persons who require attention during the day only. The concept of day care could avoid or delay the institutionalization of many persons. The elderly who are living outside of institutions could receive the benefits of therapy and recreation during the day, but would return to their homes in the evening. This would reduce the cost of care and would also provide a social outlet for the elderly.

CONDOMINIUM MORTGAGE INSURANCE

Section 704(a) of the bill would amend section 234(c) of the National Housing Act to authorize the Secretary of HUD to insure one-family condominium units in non-FHA-insured multifamily projects containing 12 or more units if construction of the project was completed more than a year prior to the application for mortgage insurance. Under existing law, FHA mortgage insurance is available

for single-family condominium units only where the project in which the unit is located is or was covered by an FHA project mortgage, or

contains 11 or fewer units.

This amendment would meet the needs of a group that existing Federal programs do not serve—condominium owners who are unable to sell their homes because they are in situations where: (a) the original project lenders have stopped making loans on units in their developments, and (b) other lenders are reluctant to make loans on these homes because they would have to process unfamiliar and complex condominium project documents.

HUD analysts project average condominium turnover frequency at every 5 years (rather than the 7 years for other homes). In view of the condominium construction boom of 1973–74, a surge of resales is expected in the next few years. Present statutory restrictions in section 234, however, eliminate 97 percent of all existing condominium units

from eligibility for FHA mortgage insurance.

The committee intends that this expanded section 234(c) program

to be actuarially sound.

Section 704(b) of the bill would amend section 234(c) of the National Housing Act to permit the Secretary, in the case of a veteran, to insure up to 100 percent of the first \$25,000 of appraised value of a condominium unit covered by a mortgage insured under that section. This change will permit conformity with section 203(b), the basic FHA home mortgage insurance program, which provides downpayment advantages for veterans of the armed services.

PURCHASE OF FEE SIMPLE TITLE

Section 705 of the bill would amend section 240(c) (2) of the National Housing Act to increase the maximum amount of loan insurable under that section in the case of property located in Hawaii. Section 240 authorizes the Secretary to insure loans for the purchase of fee simple title from lessors by homeowners leasing under a long-term ground lease, and presently requires that a loan eligible for insurance under that section shall not exceed the cost of purchasing fee simple title or \$10,000 per family unit, whichever is the lesser. The amendment would increase the \$10,000 per family unit limit under existing law to \$30,000 in the case of properties located in Hawaii.

Hawaii is one of very few areas in the country where homeowners purchase homes using a long-term leasehold for the land. The mortgage limits for section 240 have not been changed since 1968 when this provision of the act was adopted. Unlike other home mortgage insurance programs, section 240 does not contain a provision recognizing the

higher cost of housing and, in particular, land in Hawaii.

The committee believes that this provision would assist Hawaiian homeowners in gaining full ownership of their homes in cases where they otherwise would not be able to do so.

HUD DAY CARE CENTER

Section 706 of the bill would extend the existing authorization of a day care center for the children of HUD employees, to include the establishment of HUD day care centers in field offices, as well as the participation by HUD in the establishment of interagency day care facilities. This amendment was considered necessary because the language in the Housing Authorization Act of 1976 was determined to be insufficient to authorize day care facilities, other than at HUD head-

quarters in Washington, D.C.

When the possibility of a HUD day care center was first considered in 1976, there was some question as to whether any specific authorizing legislation was needed for it. However, since a provision was enacted at that time, the committee believes it is more advisable to provide for the additional HUD day care centers and interagency centers by

specific legislation.

Section 706 would amend section 7(m) of the Department of Housing and Urban Development Act to authorize HUD day care center facilities outside of headquarters, and participation in interagency day care centers where such cooperation would be needed in order to make a day care facility feasible in field offices. It would also authorize the Secretary to provide startup costs for items such as telephone installation, initial staffing, incorporation fees and taxes, and setting up accounting systems. Startup costs would be limited to 3 percent of the first year's operating budget, but not to exceed \$3,500. These costs, as well as the cost of providing the space and initial equipment of the facility which are presently anthorized, would be provided by HUD on a reimbursement basis. The day care centers are to be self-supporting, and would be operated from the proceeds of fees charged to parents and others who benefit from the day care services.

The committee believes that this amendment would remove the impediment to HUD regional, area, and field office employees' participation in the benefits of the existing HUD day care legislation, by permitting the establishment of facilities where sufficient interest is

shown by HUD employees.

SALE OF SURPLUS FEDERAL LAND FOR HOUSING

Section 707 of the bill would amend section 414 of the Housing

and Urban Development Act of 1969.

Section 414 currently authorizes Federal surplus property to be transferred by the General Services Administration to the Secretary of HUD, at the Secretary's request, for sale or lease at its fair value for use to public and private entities in the provision of low- or moderate-income housing and related public, commercial and industrial facilities. The advantage to a developer in obtaining land through section 414 lies in the statute's authorization for the price of the land to be set by the Secretary at "fair value for use" rather than "fair market value."

Unfortunately, program activity has operated at a very low level—only five or six transfers of land have been made under section 414 since 1970. While part of the problem has been the low priority given in the past to using surplus land for housing, another major constraint has been the restrictive nature of the statutory provision under

which the program must operate,

The most significant of these restrictions are the following: Section 414 currently requires that the proposed project be assisted by certain Federal housing programs in use in 1970. This provision would update section 708 to allow use of current programs.

Section 414 currently contains a community notification provision whereby local government has a veto on the disposition of surplus land for low- or moderate-income housing. This bill would allow dispositions despite local objections where the use of such land is consistent with locally developed housing assistance plans and community development plans.

REPORT ON MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

Section 708 of the bill would amend section 626(a) of the National Mobile Home Construction and Safety Standards Act of 1974 to require a report to be submitted to the Congress on the mobile home safety standards program on July 1 of every other year beginning

with calendar year 1978 rather than on March 1 of each year.

HUD has canvassed the mobile home industry, associations, and the States, and has found that it is common practice to begin collating and publishing statistical information, to the extent it is available, during late March or early April following the reporting year. Therefore, complete, firm data would not be available for a report due prior to that time. Further, collection and analysis of data on the HUD program's operations for a calendar year ending in December is not completed until the month of March, at the earliest. Accordingly, the committee believes that changing the reporting date to July 1 will facilitate required reporting, as will the proposed conversion of the report to a biennial schedule.

AMENDMENT OF THE HOMEOWNERS' LOAN ACT OF 1933

Section 709 of the bill would amend section 5(c) of the Homeowner's Loan Act of 1933 to authorize Federal savings and loan associations to invest, without regard to any other statutory limitations on their investment powers, up to 5 percent of their assets in real property located in areas in which physical development activities assisted special exemption from its general investment requirements only with under HUD's community development block grant program are being carried out in a concentrated manner.

The law governing permissible investments by Federal savings and loan associations and by reference, many State-chartered associations (sec. 5(c) of the Homeowners Loan Act), permits them to own and develop or rehabilitate property in "urban renewal areas" in amounts not exceeding 2 percent of their assets. In addition, associations can invest in obligations secured by first liens on such properties in such areas, in addition to their normal lending, in amounts of up to 5

percent of their assets.

Section 5(c) of the Homeowners Loan Act currently provides for a special exemption from its general investment requirements only with respect to properties located in "urban renewal areas" as defined by section 110(a) of title I of the 1949 Housing Act. This bill would strike this restriction and, instead, make the exemption in section 5(c) applicable to properties located in areas where physical development activities under the community development block grant program are being carried out in a concentrated manner.

HOUSING DISPLACEMENT POLICY

Section 710 of the bill would contain a statement of policy concerning the problems caused by the involuntary displacement of families from their homes. The policy would declare that, in the administration of Federal housing and community development programs, the utmost care should be taken to minimize the displacement of lower income persons from their homes and neighborhoods. The section would direct the Secretary to conduct a study of the nature and extent of the displacement problem, and to report to Congress by Januady 31, 1979, with recommendations for a national policy to deal with the problem. These recommendations would be aimed both at minimizing displacement directly caused by Federal programs, and at alleviating the problems caused by displacement resulting from actions which involve both private and Federal agencies.

Displacement is not a new problem. The committee's concern is, however, heightened this year for two reasons. First, the committee bill recommends a substantial increase in Federal assistance for rehabilitation activities, and includes multifamily as well as single-family residential units; and second, there is evidence that private as well as public rehabilitation activity is displacing an increasing

number of lower income families in older urban areas.

The committee believes that the Nation should place greater emphasis on the rehabilitation of the existing housing stock. At the same time, however, it recognizes that rehabilitation programs have a variety of objectives, and may sometimes have, along with the projected benefits, some undesirable results. The benefits of rehabilitation efforts—the improvement of the Nation's housing supply, the elimination of slums and blighting influences, the upgrading of neighborhoods—are well recognized. What has been neglected, in the view of the committee, is the interest of lower income persons who are involuntarily displaced by these activities. The committee is deeply concerned that the adverse impact of rehabilitation activities is greatest on those who can least afford it.

Housing rehabilitation, furthermore, is not the only HUD activity which displaces lower income people. Programs such as section 8 new construction and many community development and urban action grant activities can often have the same effect. Federal housing and community development programs are intended, for the most part, to improve the living conditions of lower income people. Common sense dictates that these programs should be implemented in a manner which does not, in the process of eliminating problems for these peo-

ple, create new ones.

Accordingly, the committee has approved a statement of policy that would direct HUD to take utmost care in conducting its pro-

grams to avoid displacing lower income persons.

The committee believes that the Department should, in selecting projects for Federal assistance, give preference to applications which will not result in displacement of lower income tenants; and in addition, view with serious reservation, proposed projects that will result in substantial displacement.

Where displacement is unavoidable, the committee believes that HUD should take positive steps to assist lower income tenants who are forced to move, including those tenants who are not deemed eligible for assistance under the Uniform Relocation Act. HUD should seek to provide lower income displacees a range of alternative housing opportunities, including preferential selection for section 8 assisted housing, whether rehabilitated, existing, or newly constructed, and other HUD-assisted projects. These alternatives should, insofar as possible, enable displaced persons to relocate within the same neighborhood. Where this is not possible, persons should be assisted in relocating in areas that are no less desirable with respect to the availability of public and commercial facilities and the accessibility to employment locations.

The statement of general policy and the provision for a study and report are intended as first steps toward developing a more comprehensive strategy for managing the problems which result from the displacement of lower income persons by rehabilitation activities which are both publicly and privately initiated. The committee expects that a more comprehensive policy will be developed next year, utilizing the findings and recommendations contained in the Secretary's report. Nevertheless, the committee intends that the Department initiate actions as promptly as possible, to implement the policy statement that would be declared by this section of the committee bill. The committee recognizes that the Department's efforts this year cannot be a full response to this complex problem. Accordingly, it believes that the Secretary should have considerable discretion in carrying out the intent of this section, while at the same time carrying out programs to improve the Nation's housing supply and revitalize its urban communities.

The committee believes that the key to dealing with displacement in HUD programs is for the Department and local governments to coordinate housing and development projects at the neighborhood

level.

The objective should be to avoid disrupting the lives of the current residents and, where this is not possible, to assure that HUD's activities improve, or at least do not adversely affect, their housing conditions.

REHABILITATION GUIDELINES

Section 711 of the bill would direct the Secretary, as part of HUD's technical assistance program to States and communities, to develop model rehabilitation guidelines for the voluntary adoption by States and communities. These guidelines would be used in conjunction with existing building codes to aid local officials in interpreting the provisions of those codes for the special needs of rehabilitation. The guidelines would be developed in consultation with the National Institute of Building Sciences and other groups, and would be required to be published for public comment not later than 1 year after the date of enactment, and promulgated not later than 18 months after the date of enactment.

The committee received evidence indicating that the application of new construction standards to the rehibilitation of older structures

has, too often, resulted in less rehabilitation activity because of increased costs and technical problems. Standards designed for rehabilitation of older structures are needed—but these standards should not

reduce essential high safety features.

In directing the Secretary to develop guidelines for rehabilitation, the committee expects that such guidelines will reduce the costs of rehabilitation and result in greater effectiveness of both publicly assisted and private efforts to upgrade and preserve the older housing stock of the Nation.

This section also directs the Secretary to furnish necessary technical assistance to States and local governments to facilitate the use and implementation of the guidelines. The Secretary would also be directed to report to the Congress not later than 36 months after the date of enactment concerning the extent to which State and local governments have adopted or otherwise have utilized the guidelines, together with recommendations to the Congress regarding future actions required.

DEPARTMENTAL REORGANIZATION

Section 712 of the bill would provide that none of the funds available to the Department of Housing and Urban Development may be expended for the purpose of reorganizing the multifamily housing, or community planning and development functions of the Department. This amendment is the result of the controversy generated by the proposed reorganization of HUD offices, particularly in the western States, and by the unwillingness of the Department to provide the necessary information for an evaluation of this action. At sometime in the future, when Congress has had an opportunity to study this matter to insure that the housing needs of Americans are not being jeopardized, and when the appropriate congressional oversight responsibilities have been fulfilled, this matter can be reconsidered. It is the intention of the committee that the multifamily housing and community planning and development functions of the Department should be restored to the organizational structure which existed prior to the development of the current HUD reorganization.

ALASKA HOUSING

Section 713 of the bill would amend section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966 to create a program of loans and grants to the regional native housing authorities of the State of Alaska for the purposes of planning assistance, housing rehabilitation, and the maintenance of an adequate administrative structure for the delivery of housing and related facilities to Alaska residents. The existing section 1004 was enacted in 1966 as the Alaska remote housing program. Grants were to be limited to 75 percent of the aggregate cost of each house and related facility. Because the program had certain limitations, only \$2 million, of the original \$10 million which was authorized, has been appropriated. The committee bill would delete the present provision and provide instead for grants and loans, to be allocated on a basis of need, to the housing authorities which are responsible for providing much of the housing available to low-income rural Alaskans. In addition, the present 75 percent lim-

itation on grants would be removed.

The committee intends that the Secretary shall develop criteria to measure the relative need of each of the regional housing authorities and will coordinate assistance under this new program with other Federal and State efforts to provide housing assistance to Alaska residents, including Alaska Natives.

AMENDMENTS TO THE FEDERAL HOME LOAN MORTGAGE CORPORATION ACT

Introduction

Section 714 of the bill would authorize mortgage lenders that are approved by the Secretary of the Department of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act ("mortgage bankers") to sell loans directly to the Federal Home Loan Mortgage Corporation ("FHLMC" or the "Corporation"); to clarify the authority of the Corporation to specify necessary requirements in that connection; to provide guidance to the Corporation in the exercise of that authority; and to provide an effective date for the amendments to the Federal Home Loan Mortgage Corporation Act made by this title. The provisions which make mortgage bankers eligible sellers to FHLMC are contained in section 714(a)(1). The provisions regarding effective date are contained in section 714(b). Provisions accomplishing the remaining purposes are contained in section 714(a)(2). A "direct" sale in the committee's view is one in which the eligible seller sells mortgages to the Corporation in its own name and right as seller.

Conditions

On January 31, 1978, the Corporation submitted to the Congress a report entitled "Mortgage Banker Access to the Federal Home Loan Mortgage Corporation." This report suggested a number of conditions or "rules of the road" which would be necessary in the Corporation's judgment were the Congress to authorize mortgage bankers to sell loans directly to the Corporation. Section 714(a)(1) would grant this direct sales access and would make mortgage bankers eligible sellers to the Corporation. There seems general agreement that the "rules of the road" suggested by the Corporation are reasonable and necessary for direct sales access by mortgage bankers to be practicable, to be fair to other eligible sellers, and to avoid impairing the efficiency of the Corporation. For these reasons, and to most clearly express the intentions of the Congress, the committee has incorporated these conditions in the text of section 71(a)(2). Certain views of the committee regarding these conditions are expressed below.

Minimum net worth

A strong net worth position is necessary for eligible sellers because of the Corporation's use of a warranty system and because the Corporation's operations must be placed on a sound footing to be successful in a national marketplace. Hence, section 714(a)(2) specifically refers to the Corporation's ability to prescribe minimum net worth requirements for eligible sellers. The committee recognizes that, given the variety of types and classes of eligible sellers to the Corporation, a

single minimum net worth figure may not be appropriate for all types and classes of eligible sellers. The committee encourages the Corporation to develop a generalized system for making determinations of adequate minimum net worth for various types of eligible sellers. The Corporation's report to the Congress suggests preliminarily that a figure of \$250,000 may be appropriate for the purposes of qualifying most mortgage bankers as eligible sellers. The committee also encourages the Corporation to give careful consideration to the nature of qualifying assets for purposes of setting minimum net worth requirements for different types of sellers. The committee recognizes that the minimum net worth requirement established by the Corporation may also have to include some aspects of liquidity requirements. The committee encourages the Corporation to specify minimum net worth requirements at levels that will qualify as many eligible sellers as possible consistent with the Corporation's business need to have the quality of its securities and the strength of its finances to be unquestioned in the national marketplace.

Supervisory mechanisms

The Corporation's report emphasizes the importance of proper supervision of eligible sellers to the soundness and efficiency of the Corporation's operations. The committee recognizes that this supervision is necessary both from the standpoint of the Corporation's business and also from the standpoint of protection of the public. The Corporation's report suggests that the most efficient method of accomplishing this supervision in the case of mortgage bankers may be the institution of an audit system implemented through independent public accountants and based on an audit guide prepared by the Corporation. The Corporation may supplement the audit by independent public accountants by periodic reviews by its own staff. The committee encourages the Corporation to develop that portion of its guide dealing with loan processing so as to avoid any unnecessary duplication with respect to similar audits made of mortgage bankers in this area by other organizations, such as the Federal National Mortgage Association. However, the committee recognizes that the program requirements and statutory powers of the Corporation and other organizations are not the same so that an audit guide developed by the Corporation may differ to some extent from those of other institutions.

Warranty compensation mechanisms

At the present time extensive warranties are required by the Corporation from its sellers and servicers with respect to loans sold to the Corporation and serviced for it. This system of warranties is a critical feature of the Corporation's operations. The committee expects that the Corporation will require these warranties of mortgage bankers and that the Corporation will assure itself that the operations of mortgage bankers who are eligible sellers are conducted in such a way that meaningful support is provided by the warranties given by them. The Corporation will be expected to develop a mechanism to assure that mortgage bankers have the ability to support their warranties. In this connection, the committee believes that the Corporation should take into account the existence of insurance in the form of blanket fidelity bonds, errors and omissions policies, and title insurance. The Cor-

poration may develop, as necessary, additional compensatory mechanisms, such as special reserve requirements. The committee encourages the Corporation to avoid unnecessary costs to mortgage bankers in this connection. The committee has a concern that unnecessary costs may be encountered due to the possible unavailability of high cost of letters of credit, and urges the Corporation to avoid that alternative if possible.

Prior approval of facilities; prior origination and servicing experience

The Corporation's report indicates the need for it to review and approve office facilities and to be satisfied as to the prior experience of eligible sellers in loan origination and servicing. Such actions are commonly employed as a prudent business practice in the secondary mortgage market and the committee recognizes the need for such an approval process.

Capital contributions

The sale of mortgage securities by the Corporation with its guarantees of principal and interest create potential claims on the Corporation's capital. It is essential if FHLMC is to continue to maintain its financial solidity that the capital or capital equivalents available to it grow with its sales. FHLMC's initial capital of \$100 million was provided by the Federal home loan banks whose capital stock is in turn owned by the thrift institution members of the bank system. Nonmembers, such as commercial banks, and mutual savings banks pay a ½-point nonmember fees a a capital substitute. An essential aspect of providing direct sales access to mortgage bankers is that the mortgage banker be placed on a parity with other eligible sellers from the standpoint of making a capital contribution.

The Corporation's report suggests that perhaps the most efficient way of assuring parity would be that the mortgage banker simply pay a nonmember fee. However, in the longer run this method may not suffice because FHLMC may need amounts of long term capital greater than can be generated by fees. In that case, mortgage bankers could be required to make proportionate contributions to capital, along with all other eligible sellers. Should the Corporation elect to employ user debentures as a capital substitute, the committee encourages the Corporation to consider any differential effects they may have on

mortgage bankers.

Volume limits

The Corporation's report indicates a concern with the relative distribution of its purchases among various types of eligible sellers and suggests the need to employ volume limits to avoid any imbalances. Since mortgage bankers are by the nature of their business high volume sellers, it is likely that they could come to play an extensive role in the Corporation's purchase programs. There are, however, certain countervailing factors, such as the Corporation's pricing structure, mandatory delivery requirement and its weekly limit of purchases from any one seller. However, the committee believes that if loans originated by mortgage bankers began to dominate the Corporation's programs, FHLMC may need to establish volume controls by type of seller to insure that its developmental mission is not impaired. The committee believes that a limitation for mortgage bankers not now

eligible sellers of approximately 20 percent of FHLMC's annual purchase volume would assure that FHLMC would continue to serve the thrift industry.

Reduction during periods of borrowing

The Corporation's report raises a concern that during certain market conditions the Corporation may need to finance substantial portions of its purchases by means of borrowings from Federal home loan banks and that such borrowings may constitute an indirect form of funds transfer for the benefit of nonmembers of the bank system. The Corporation's report suggests that under these circumstances it may be necessary to suspend, reduce or reallocate purchasing with respect to nonmembers. The committee encourages the Corporation to first explore other techniques such as multiple auctions and increased fees and charges so as to minimize any substantial differential effects on particular types of sellers, and, to the extent practicable, to make reasonable efforts to avoid suspension of purchasing from any particular type of seller.

Prior approval; optional delivery; FHA/VA purchasing

The committee recognizes that the different types of sellers to the Corporation have differing relative needs for programs involving prior approval, optional delivery, and purchase of loans other than conventional mortgages. The Corporation's report expresses a concern that a multiplicity of programs tailored to the special relative needs of particular types of sellers would not be cost effective and could result in serious distortions of the Corporation's operations. Section 714(a) (2) addresses this concern by providing that the Corporation need not make available, to any particular type of seller, programs involving these features to a greater extent than they are offered to other types of sellers. Of course, the Corporation is free to modify its programs for all sellers to the extent that it believes that the development of the secondary mortgage market would be served thereby.

Basis of action

Simultaneously the committee recognizes that, given the differing types of sellers, the Corporation's programs may have differential effects on them. The committee does not view such effects as discriminatory, but believes that the requirements of the Corporation regarding its programs must have a rational relationship to the purposes or provisions of the act. The term "rational" is deliberately chosen as a guide to the Corporation that its requirements may not arbitrarily differentiate between different types of sellers and servicers and, to the extent that distinctions are made, that those distinctions must be based on a factual foundation. For example, if the Corporation imposed requirements on mortgage banker servicers that were stricter or less favorable than similar requirements imposed on thrift institution servicers and there was not a factual foundation for the differences, those requirements would not meet a test of rationality.

Encouragement of participation

The Corporation's report to the Congress gives great emphasis to the developmental mission of the Corporation. The committe shares the priority the Corporation accords to that mission and has added language to section 714(a) (2) providing guidance to the Corporation to make reasonable efforts to encourage participation in its programs by various types of eligible sellers, including mortgage bankers.

Effective date

Section 714(b) of this title provides for a delayed effective date of the changes made to the Corporation's enabling legislation by this title. The committee recognizes the magnitude of the operational issues the Corporation will need to resolve in order to properly accommodate a new type of eligible seller and is aware of the extensive developmental programs in which the Corporation is presently engaged. Under these circumstances, the committee believes that a delay in effective date is warranted. Section 714(b) provides that this title will take effect upon the expiration of 210 calendar days after it is enacted, but not earlier than January 31, 1979. The corporation may, of course, make its program changes effective at an earlier date.

INTERSTATE LAND SALES

Section 715 of the bill would amend the Interstate Land Sales Full Disclosure Act. This amendment was accepted by the committee in lieu

of amendments to that act contained in S. 2637.

The amendments accepted by the committee would amend the Interstate Land Sales Full Disclosure Act to: (1) exempt land on which there is a condominium or on which a condominium is to be built within 2 years (present law makes a similar exemption for land on which there is, or will be built within 2 years, a residential, commercial, or industrial building); (2) exempt land-sales operations which are intrastate or almost entirely intrastate in nature; (3) exempt the sale or lease of real estate by a developer to a resident of another State when the principal residence of the purchaser is within a radius of 100 miles from the purchased property; (4) exempt land which is to be used for commercial or industrial purposes (present law provides an exemption only if the land is zoned for such a purpose); (5) require the Secretary to conduct rulemaking and adjudication in accordance with the Administrative Procedures Act and to provide written notice of reasons in any action taken which affects an individual; (6) add a definition of "sale or lease" to the act; and (7) exclude U.S. land patents and similar Federal grants or reservations from the definition of "liens, encumbrances, and adverse claims" under that act.

The exemptions provided in (2) and (3) would only apply if: (a) the land is free and clear of all liens, encumbrances, and adverse claims; (b) the purchaser has made an onsite inspection of the land; and (c) the developer designates a person within the purchaser's state of residence as the developer's agent of process. In addition, the exemption in (3) would only apply if the developer has provided the Secretary with written affirmation that these conditions have been met.

The committee is persuaded that this amendment is necessary to restrict implementation of the Interstate Land Sales Full Disclosure Act to land sales that are truly interstate in nature. The act is designed to protect consumers against fraudulent and misleading interstate land sales practices by unscrup; lous developers. The amendment agreed to by the committee is not intended to reduce or eliminate any

consumer safeguards in that act. Indeed, the amendment makes it clear that the antifraud provisions of the act would continue to apply to the two new major exemptions for 5 percent or five lots sold to out-of-State residents and for sales within 100 miles of the purchaser's residence. The amendments, however, are designed to exempt land sales that were not originally intended to be covered under the act and to prevent implementation of the act by the Office of Interstate Land Sales Registration from imposing an unnecessary and unintended regulatory burden on developers who do not engage in interstate land sales operations.



COST ESTIMATE

U.S. Congress, Congressional Budget Office, Washington, D.C., May 15, 1978.

Hon. WILLIAM PROXMIRE,

Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Pursuant to section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for the Housing and Community Development Amendments of 1978.

Should the committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely.

JAMES BLUM (For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 15, 1978.

1. Bill No.: Not yet assigned.

- 2. Bill title: Housing and Community Development Amendments of 1978.
- 3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, May 8, 1978.
- 4. Bill purpose: The purpose of this legislation is to amend and extend certain Federal laws relating to housing, community development, and related programs.

5. Cost estimate: The estimated budget impact of this bill, by title,

is summarized in the following table.

COST BY BILL TITLE IBy fiscal years, in millions of dollars

	1979	1980	1981	1982	1983
Title I:					
Authorization level	441	370			
Estimated costs	141	322	223	17	-48
Title II:					
Authorization level 1	39, 885	96			
Estimated costs	356	818	390	712	1, 136
Title III:					
Authorization level	743				
Estimated costs	70	135	93	10	7
Title IV:					
Authorization level	20	25	35 27	40	45
Estimated costs	3	12	27	36	43
Title V:					
Authorization level 2	206	134	122	112	104
Estimated costs	148	155	137	121	115
Title VI:					
Authorization level	15	20	30		
Estimated costs	13	17	28	7 .	
· · · · · · · · · · · · · · · · · · ·					
Total:					
Authorization level	41,310	645	187	152	149
Estimated costs	731	1, 459	898	903	1, 253

¹ Includes an estimated \$27,800,000,000 for annual contributions to assisted housing, based on annual contract authority authorized.

2 Includes estimated authorization levels for rural housing loans and the homeownership assistance program, authorized in title V.

The estimated budget impact of this bill, by function, is summarized below:

COST BY BUDGET FUNCTION

	Fiscal year					
	1979	1980	1981	1982	1983	
Function 370:						
Authorization level 1	706	134	122	112	104	
Estimated costs	148	155	209	121	115	
Function 450:						
Authorization level	699	390	30			
Estimated costs	224	474	272	34	-41	
Function 600:						
Authorization level 2	39, 905	121	35	40	45	
Estimated costs	359	830	417	748	1, 179	

Includes estimated authorization levels for rural housing loans and the homeownership assistance program, authorized

This bill extends a number of insurance programs which result in contingent liabilities of the Federal Government and which could result in a significant budget impact in any given year although intended to be actuarially sound in the long term.

6. Basis of estimate:

Title I—Community and neighborhood development and conservation Rehabilitation loan fund.—The bill extends the section 312 loan program through fiscal year 1980 and authorizes to be appropriated \$370 million in each of the fiscal years 1979 and 1980. Of these amounts in each fiscal year, \$175 million is to be set aside for loans for multifamily properties and \$70 million is to be set aside for loans in connection with urban homesteading programs. The bill also provides that families with adjusted incomes above 80 percent of the area median may be charged up to a Treasury rate on comparable instruments. This means that loans to families in this category could bear rates from 3 percent to about 65% percent instead of the present 3 percent maximum. There is also an increased emphasis on loans to lower income families. In estimating the costs of this provision, it is assumed that loan disbursement rates at the authorized levels, which is over 4 times the historical obligation level, will be slower than the historical disbursement rate for this program. The disbursement rate also reflects the assumption that section 102 of this legislation, allowing urban homesteading funds to be used to pay delinquent taxes on qualifying properties, will be enacted. Otherwise, the demand for such urban homesteading loans would be much lower than assumed here. Based on income data for loan recipients in the current program, it is assumed that 45 percent of loan funds would go to families with median income greater than 80 percent of the area median. It is further assumed that the average interest rate for this group would be 43/4 percent. The estimated costs of this provision shown in the cost tables represent annual loan disbursements less receipts.

Urban homesteading.—This provision authorizes to be appropriated \$71 million for fiscal year 1979 for urban homesteading. These funds may be used for facilitating urban homesteading by making grants to municipal governments to pay taxes on qualifying proper-

in title V.

2 Includes an estimated \$27,800,000,000 for annual contributions to assisted housing, based on annual contract authority authorized.

ties, to acquire suitable homesteading properties from the Veterans Administration, for administrative costs of municipal governments related to the urban homesteading program, and for acquiring properties currently held by HUD. Because of the necessity of promulgating new regulations for these amendments to the current program, it is assumed that these funds will be expended much more slowly than the current program. As a result, it is projected that these funds will spend over a 3-year period with 20 percent, 50 percent, and 30 percent of the funds being disbursed in years 1 through 3, respectively. The budget impact of title I is summarized in the following table.

[By fiscal years; in millions of dollars]

Title I	1979	1980	1981	1932	1983
Rehabilitation loan fund: Authorization level	370	370			
Estimated costsUrban homesteading:	127	287	201	17	48
Authorization level	71 14	35	22		
Total title I: Authorization level	441	370			
Estimated costs	141	322	223	17	- 48

Title II.—Housing assistance programs

Low-income housing.—Section 201 of the bill increases the annual contract authority available for use in HUD's low-income housing programs by \$1,675 million. The bill specifies that of this additional authority, not less than \$50 million be used for the modernization of low-income housing projects. The bill also sets aside not less than \$30 million to be used for a new section 8 program which would provide assistance to low-income homeowners for the rehabilitation of their housing. This new program is authorized in section 204 of the bill. With the exception of these set-asides, it is assumed in this cost estimate that the newly available contract authority will be distributed among the various subprograms in the same proportions as in HUD's fiscal year 1979 budget request. The new annual contract authority released in a given year for HUD's low-income housing programs is the limit on the additional Federal expenditures per year that can derive from the use of that authority. Budget authority, on the other hand, is the limit on the total-Federal expenditures that can result from the use of the new authority. Thus, budget authority is a function of the amount obligated in a given year and the maximum number of years (the contract term) those obligations can be in effect. The contract term is not the same for all of the various subprograms. The contract terms used to calculate the authorization level shown in this estimate are consistent with the assumption that the new contract authority authorized in the bill would be obligated to the various subprograms in proportion to HUD's 1979 budget request.

To estimate the annual costs stemming from that part of the 1979 authorization allocated to section 8, assumptions must be made in three principal areas: the rate at which the new authority can be obligated and the housing units thus assisted can actually come under payment; current and future rent levels; and current and future tenant income levels.

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For this estimate it was assumed that all of the new authority which would be released in the bill would be approved in appropriations acts in fiscal year 1979 and that it would also be fully obligated in fiscal year 1979. The rate at which units assisted with 1979 authority actually come under payment is estimated from program experience. These estimates range from 1 to 2 years for existing housing programs to 3 and 4

years for programs involving new construction.

Once a section 8 assisted housing unit is occupied, Federal outlays begin. These outlays are the difference between the rent level established under program procedures for that unit and a portion of the tenant family's income. In this estimate, the tenant contribution is assumed to be 25 percent. Rent levels for the section 8 programs in the initial payment year were assumed to be the same as HUD's estimates for fiscal 1979 adjusted for price increases. This adjustment was accomplished for the new construction programs using the CBO projection for increases in the costs of residential construction. For the existing housing programs, the CBO projection for increases in the rental component of the consumer price index was used. In the years following initial occupancy, rents for both the new construction and existing programs were adjusted using the CBO projections for the rental CPI.

Tenant income levels for the different programs used in this report were estimated from information provided by HUD for fiscal year 1977. These 1977 incomes were increased for subsequent years using an index calculated for this estimate that relates the growth in income for the lowest quintile of family income to the CBO projections for

general economic growth.

Estimated costs for the public housing portion of the fiscal year 1979 authorizations depend upon construction schedule assumptions. The schedules used in this estimate were based on program experience. Once construction is complete, the full amount of allocated annual contract authority is assumed to be spent each year.

Section 205 of the bill also authorizes HUD to provide section 8 assistance to low income families residing in mobile homes. This provision is expected to have no appreciable cost impact over the 5-year

estimate period.

This title of the bill authorizes the appropriation of \$800 million for public housing operating assistance. Of this amount, not more than \$10 million is earmarked to fund the public housing security demonstration program established in section 203 of the bill. For this estimate, it was assumed that the full \$800 million would be appropriated, and that the \$10 million security demonstration authorization would be spent in fiscal year 1979 with the balance following historical outlay patterns.

Housing for the elderly and the handicapped.—Section 202 of the bill would provide that of the funds made available in appropriation acts for use in fiscal year 1979 pursuant to section 202 of the Housing Act of 1959, not less than \$50 million be used to provide rental housing for the handicapped. It is estimated that this provision would not

result in additional costs to the Federal Government.

Financial assistance for certain housing projects.—Section 206 of the bill would establish a new operating assistance program for multifamily housing projects experiencing financial difficulty. The bill also authorizes the appropriation of \$74 million in fiscal year 1979 and \$96 million in fiscal year 1980 for this purpose. To be eligible for assistance, a project must be assisted under section 236 or 221 of the National Housing Act or section 101 of the Housing and Urban Development Act of 1965. The bill also specifies certain management and maintenance procedures that must be followed in order to participate in the program. HUD expects to assist about 130,000 units of low income multifamily housing with the funds authorized in fiscal year 1979. The costs of the program shown below are based on the appropriation of the full amount authorized. It was assumed that HUD would use a portion of the fiscal year 1980 authorization to continue support to the 130,000 units first assisted in fiscal year 1979. In addition, it is estimated that the fiscal year 1980 authorization would allow the assistance of another 39,000 units beginning in fiscal year 1980.

Supplementary rental assistance for very low income tenants.—Section 207 of the bill provides for additional assistance to very low income tenants of specified federally assisted housing projects in order to reduce their housing costs to 25 percent of income and authorizes the appropriation of \$75 million in fiscal year 1979 for this purpose. It is assumed in this estimate that the full authorization will be appropriated for fiscal year 1979. Based on the characteristics of tenants currently living in section 236 housing projects, it is estimated that an additional \$300 per unit per year would be needed to reduce housing costs to 25 percent of income. Thus, the fiscal year 1979 authorization will allow additional assistance to about 250,000 housing units. The cost estimate shown below reflects the assumption that the fiscal year 1979 authorization will not be fully obligated until the last half of the year.

The budget impact of Title II is summarized in the following table.

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IBV fis	cal vears	:: In m	ullions	of do	llarsi

Title II	1979	1980	1881	1982	1983
Annual contributions for assisted housing:					
Authorization level	38, 936				
Estimated costs	11	140	368	712	1. 136
'ublic housing operating assistance:					-,
Authorization level	800				
Estimated costs	273	527			
Estimated costsinancial assistance for certain housing projects:					
Authorization level	74	96			
Estimated costs	52	96	22		
upplementary rantal assistance:		•			
Authorization level	75				
Estimated costs	20				
Total title II:					
Authorization level	39, 885	96			
Estimated costs	356	818	390	712	1. 13

Title III.—Extension of Federal Housing Administration mortgage insurance programs

Title III of the bill extends for one year HUD's basic mortgage insurance and interest rate authority, and also extends the national flood insurance program. These extensions and amendments are expected to have no appreciable budget impact. Title III also authorizes the appropriation of \$165 million to cover losses in the General In-

surance Fund of the Federal Housing Administration (FHA). This money would be used to pay insurance claims and other liabilities of the fund. Without such an appropriation, these claims and liabilities would be paid with funds borrowed from the U.S. Treasury. Thus,

this provision is expected to have no additional cost.

Comprehensive planning grants.—The bill authorizes to be appropriated \$57 million for fiscal year 1979 for the comprehensive planning grant program. The grants are used by State and local governments to collect basic housing and community development data and to prepare comprehensive development plans. The estimate of costs is based on the historical experience of the program.

Research authorization.—The bill authorizes to be appropriated \$62 million for fiscal year 1979 for research programs related to various programs of the Department of Housing and Urban Development. The estimated costs of this provision are based on the historical ex-

perience of the program.

Flood insurance studies.—The bill authorizes to be appropriated \$114 million for detailed elevation studies which will be used to determine actuarial premium rates in the national flood insurance program. The estimated costs are based on the historical experience of

this program to date.

National Neighborhood Policy Act.—This provision increases the authorization for the National Neighborhood Policy Act from \$1 million to \$1.5 million, an increase of \$0.5 million. Although no specific fiscal year for authorization of funds is cited in the original Act, it is assumed for the purposes of this estimate, that the funds are authorized for fiscal year 1979. The \$0.5 million increment would spend en-

tirely in fiscal year 1979.

National Institute of Building Science.—The bill provides that any amounts not appropriated under the authorizations for fiscal years 1977 and 1978 shall be available for appropriation through fiscal year 1982. To date, \$1 million has been appropriated of the \$10 million authorized for fiscal years 1977 and 1978; this leaves an authorization for appropriation of \$9 million for fiscal year 1979 through 1982. It is highly unlikely that NIBS could obligate \$9 million in fiscal year 1979; therefore, for the purposes of this estimate, it is assumed that a fiscal year 1979 appropriation of \$9 million will be available for obligation until expended and that the funds will be obligated at a rate of \$2 million per year until wholly obligated. Estimated costs are based on the experience to date of this program.

Government National Mortgage Association (GNMA).—The bill authorizes an increase of \$500 million in GNMA's Special Assistance Fund purchase authority. Assuming approval of the full amount in appropriations acts, it is expected that the \$500 million will be obligated in fiscal year 1979. Past experience indicates that these obligated funds will be disbursed in fiscal year 1981. This estimate assumes that loans will be sold in the same year as purchased. Further, it was assumed that GNMA would purchase loans written at a 7.5 percent interest rate and sell the loans into the private market to yield 9.5 percent. The cost shown in the table below reflects only the discount

points absorbed by GNMA.

The budget impact of title III is summarized in the following table.

[By fiscal years; in millions of dollars]

Title III	1979	1980	1981	1982	1983
Comprehensive planning grants:					
Authorization level	57				
Estimated costs	11	44	1	1	
Research:					
Authorization level	62				
Estimated costs	13	37	10	1]
Flood insurance studies:					
Authorization level	114				
Estimated costs	43	52	8	6	
National Neighborhood Policy Act:					
Authorization level	1				
Estimated costs					
National Institute of Building Science:					
Authorization level	9				
Estimated costs	2	2	2	2	
GNMA Special Assistance Fund:					
Authorization level	500				
Estimated costs			72		
Total title III:					
Authorization level	743				
Estimated costs	70	135	93	10	7

Title IV.—Congregate services

C

Title IV of the bill would establish a new program which would provide additional assistance to the elderly and handicapped. Under the provisions of the bill, HUD is authorized to aid public housing agencies and sponsors of housing assisted under section 202 of the Housing Act of 1959 in furnishing personal services to eligible residents of such housing. These services must include fully nutritional meals, but can include such things as housekeeping and grooming aid as well. HUD would enter into renewable 3- to 5-year contracts with the participating agency or sponsor. The bill authorizes the appropriation of \$20 million in fiscal year 1979, and \$25 million, \$35 million, \$40 million, and \$45 million in the fiscal years 1980 through 1983, respectively. For this estimate, it was assumed that the full amount authorized would be appropriated in each year. It was further assumed that contracts would be of three years duration and that HUD would reserve the full amount thus obligated from the funds appropriated for the first contract year. It is estimated that obligation of funds would begin during the last half of fiscal year 1979 and that onethird of the obligated funds would be disbursed in each of the 3 years of the contract term.

The budget impact of title IV is summarized in the following table.

Title IV fiscal years 1979-1983

n	gregate services:	
	1979:	Millions
	Authorization level	_ \$20
	Estimated costs	_ 3
	1980:	
	Authorization level	_ 25
	Estimated costs	
	1981;	
	Authorization level	_ 35
	Estimated costs	
	1982:	
	Authorization level	_ 40
	Estimated costs	
	1983:	_ 00
	Authorization level	45
	Estimated costs	
		_ 10

Title V.—Rural housing

Title V of the bill extends the authority of the Farmers Home Administration (FmHA) to make and insure loans for the purpose of providing housing in rural areas. In addition, certain provisions of current law would be amended increasing the limits on the amounts that can be loaned for specified uses. The bill also authorizes the appropriation of funds for FmHA's various grants and research programs. Section 507 of the bill authorizes a new program whereby FmHA could provide homeownership assistance (beyond that allowed in current

law) to low-income persons.

Rural housing loans.—Subject to the extensions and reauthorizations proposed in the bill and approved in appropriations acts, the Farmers Home Administration plans fiscal year 1979 loan obligations of \$3.6 billion. A substantial portion of this loan activity is intended to be at below-market rates. Once the obligated funds have been disbursed to the borrower, FmHA generally sells the loans, in the form of participation certificates, to the Federal Financing Bank. These certificates bear higher interest rates than the actual loans backing them, and FmHA pays the difference from funds available from the Rural Housing Insurance Fund (RHIF). In estimating the cost of fiscal year 1979 loan activity, the CBO current policy assumptions were used. Under these assumptions, a given year's lending activity will result in costs of about 3.6 percent of the declining principal balance in each year the loans are in effect. Loan disbursal rates from fiscal year 1979 obligations were estimated from program experience. The authorization levels shown in this estimate for rural housing loans are those necessary to cover each year's estimated costs.

Rural housing grants and research.—The bill authorizes the appropriation of \$86 million for FmHA's rural housing grants and research programs. It was assumed that the authorization would be fully appropriated and that outlays from the grants programs would follow historical patterns. The Housing and Community Development Act of 1977 directed the Secretary of Agriculture to establish an independent research capability within FmHA. Since there has not yet been time programs. It was assumed that authorization would be fully approto assess the FmHA program, costs of the bill's research authorization

were estimated from HUD experience.

homeownership assistance.—Under current law, FmHA can provide interest credits on homeownership loans resulting in an effective interest rate to rural low-income borrowers of 1 percent. For those very low-income borrowers who can not afford a dwelling even at a loan rate of 1 percent, the bill proposes an additional assistance program. The new program would be used only if suitable rental housing were not available and would operate in conjunction with FmHA's current interest credit homeownership programs. Payments would be based on the difference between 25 percent of the borrowers income and the sum of principal and interest payments (at a 1-percent interest rate), taxes, insurance, utilities and maintenance. FmHA would use the RHIF to pay the costs of this assistance. To estimate the costs of this provision, it was assumed that the loans would average \$27,500, the same as FmHA's current single-family loan activity. Based on information supplied by FmHA, it was estimated that 16,000 loans would receive assistance in fiscal year 1979, participant incomes would vary from \$2,500 to \$8,500 per year, and the additional annual

assistance would range from \$375 to \$1,875 per loan. The 16,000 loans were assumed to be fully disbursed in the middle of fiscal year 1979. To determine the costs in fiscal years 1980 through 1983 of the loans made in fiscal year 1979, that portion of total housing expenses going to pay principal and interest was held constant and the balance increased by the CBO projections of changes in the rental component of the Consumer Price Index. The authorization levels shown for this program in the table below are those necessary to cover estimated costs in each year of fiscal year 1979's activity.

The budget impact of title V is summarized in the following table.

[By fiscal years, in millions of dollars]

Title V	1979	1980	1981	1982	1983
Rural housing loans:					
Authorization level 1	114	118	105	94	85
Estimated costs	114	118	105	94	85
Rural housing grants and research:					
Authorization level	86				
Estimated costs	28	21	15	9	11
Homeownership assistance program:					
Authorization level 1	6	16	17	18	19
Estimated costs	6	16	17	18	19
Total title V:					
Authorization level	206	134	122	112	104
Estimated costs.	148	155	137	121	115
Latillation Andreas	.40	200	,		110

¹ Estimated.

Title VI.—Neighborhood Reinvestment Corporations

The purpose of this title is to establish a public corporation, the Neighborhood Reinvestment Corporation, to continue and expand upon the work of the Urban Reinvestment Task Force in establishing neighborhood housing service programs. In this title, \$15, \$20, and \$30 million are authorized to be appropriated for fiscal years 1979, 1980, and 1981 respectively. The legislation leaves the distribution of funds authorized to the discretion of the Corporation, but directs that the activities of the Urban Reinvestment Task Force be continued. Therefore, a likely budget for the new corporation was estimated based on the present activities of the task force. The funds are assumed to be 44 percent for corporation operation and 56 percent for grants. Technical assistance and neighborhood housing service development activities are assumed to comprise most of the operating budget while grants moneys are assumed to be primarily for neighborhood housing services (both new programs and additions to existing programs). Funds for operations are primarily for salaries and would spend almost entirely in the year for which they were appropriated. Funds for grants would likely be committed in the year for which they were appropriated, but are estimated to require 2 years for disbursement. Funds spend approximately 80 percent in the first year of authorization with the remainder spending in the second year.

The budget impact of title VI is summarized in the following table.

Title VI, fiscal year 1979-83	
1979:	Millions
Authorization level	
Estimated costs	_ 13
1980:	
Authorization level	_ 20
Estimated costs	_ 17
1981:	
Authorization level	_ 30
Estimated costs	_ 28
1982:	
Authorization level	
Estimated costs	. 7
1983:	
Authorization level	
Estimated costs	

Title VII.—Miscellaneous

Title VII authorizes the Secretary of HUD to establish a day care center or centers for children of Department employees. Participants would be charged for the services provided except that HUD can provide up to \$3,500 in startup costs.

7. Estimate comparison: None. 8. Previous CBO estimate: None.

9. Estimate prepared by Brent Shipp and Terry Nelson.
10. Estimate approved by C. A. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

SECTION-BY-SECTION SUMMARY

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

REHABILITATION LOANS

Section 101(a) (1) of the bill would amend section 312(a) of the Housing Act of 1964 to provide that priority for residential rehabilitation loans shall be given to applications from families whose incomes are within those prescribed for occupants of housing assisted under

section 8 of the U.S. Housing Act of 1937, as amended.

Section 101(a) (2) would amend section 312(c) (3) of such act to authorize the Secretary of HUD to establish interest rates, based on adjusted family income, ranging from above 3 percent to no more than the Treasury borrowing rate for U.S. obligations of comparable terms, for single-family residential rehabilitation loans for families whose incomes are in excess of 80 percent of the median area income. In addition, this section would maintain the present 3-percent maximum interest rate for families with incomes at or below 80 percent of the median area income and for multifamily housing loans.

Section 101(a)(3) would amend section 312(c)(4)(A) of such act to permit loan amounts to include the refinancing of existing indebtedness if the Secretary determines that such refinancing is necessary to minimize displacement of existing tenants of a multifamily property.

Section 101(a) (4) would amend section 312(c) (4) (B) of such act to increase, from \$50,000 to \$100,000, the maximum loan amount available for nonresidential properties.

Section 10(b) (1) would amend section 312(d) of such act to authorize appropriations of not to exceed \$370 million for fiscal year 1979 and \$370 million for fiscal year 1980 for the section 312 program.

Section 101(b) (2) would amend section 312(d) of such act to provide that, of the amounts appropriated under this section for each of the fiscal years 1979 and 1980, \$175 million must be made available for multifamily rehabilitation, and \$70 million must be made available for rehabilitation loans in connection with urban homesteading; provided, however, that the Secretary may increase or decrease these set-asides if necessary, after considering the relative demand and need for different types of rehabilitation loans and the rate at which HUD and local agencies can effectively expand the programs for multifamily and urban homesteading rehabilitation.

Section 101(c) would amend section 312 of such act by adding three new subsections, (i) through (k). New subsection (i) would provide that multifamily loans under section 312 shall be subject to a number

of additional limitations and conditions, as follows:

First, new subsection (i) (1) would require that the property be located in a low- or moderate-income neighborhood designated by the

unit of general local government for concentrated community development activities; or that it have a majority of tenants of low and moderate income, and be located in a neighborhood characterizeed by substantial private investment and rising property values resulting in the displacement of low- or moderate-income persons, and that the loan will be for the purpose of minimizing such displacement. All loans must, moreover, be consistent with an overall community development strategy that principally benefits low- and moderate-income persons.

New subsection (i) (2) would provide that the property must have less than 100 units, except where the Secretary determines that a section 312 loan for a larger property is essential to meet the community development needs of a neighborhood and alternative sources of financ-

ing are not available.

New subsection (i) (3) would require the Secretary to assure that the preponderance of section 312 multifamily loans are made for properties of 30 or fewer units, except that the Secretary must provide localities with maximum flexibility in meeting housing needs identified in the housing assistance plans which they submit under the commu-

nity development block grant program.

New subsection (i) (4) would require that, when assistance payments under the section 8 low income rental assistance program are necessary to minimize displacement of existing tenants of properties being rehabilitated under section 312, the Secretary must insure that an application for such assistance is made in conjunction with the application for the section 312 loan. Furthermore, the Secretary shall make such section 8 assistance available to the maximum extent possible and for as long a time as is feasible.

New subsection (i) (5) would require the Secretary to enter into an agreement with the investor-owner of a multifamily property to be rehabilitated with a section 312 loan, to limit rent increases caused

by the rehabilitation for at least 5 years.

New subsection (i) (7) would require that, prior to approving a dence of the prior management history of the investor-owner to determine, prior to approval of a section 312 application, whether such investor-owner is likely to provide continuing sound management and maintenance of the project. The Secretary must also require an adequate plan for the future management of the project.

New subsection (i)(7) would require that, prior to approving a section 312 multifamily loan, the Secretary must assure that there is a program for informing the tenants of the terms of the loan, the possible effects of the loan on rents, and the possible sources of rental as-

sistance for eligible tenants.

New subsection (i) (8) would require the Secretary to give maximum possible assistance to investor-owners, and particularly to smaller investor-owners, in meeting the application and other requirements of this section.

New subsection (i) (9) would require the Secretary to adopt administrative measures to limit use of section 312 multifamily loans in conjunction with tax syndication financing under the Internal Revenue Code of 1954, except where the Secretary determines that the combination is necessary to assure the feasibility of the project.

New subsection (i) (10) would require the Secretary to make a maximum possible effort to minimize displacements and hardships

due to temporary displacement of tenants caused by section 312 multi-

family rehabilitation.

New subsection (i)(11) would require the Secretary to encourage the use of private funds in conjunction with section 312 multifamily loans, where it is feasible and will not increase displacement.

New subsection (i) (12) would authorize the Secretary to impose additional limitations and conditions on the use and availability of

section 312 multifamily loans.

New subsection (j) would set forth requirements which the Secretary must observe in carrying out the provisions of section 312 in connection with an urban homesteading program approved under section 810 of the Housing and Community Development Act of 1974, as follows:

New subsection (j)(1) would authorize and direct the Secretary to use a portion of the section 312 funds set aside for homesteading to finance a demonstration program to explore the feasibility of carrying out a nationwide urban homesteading program for multifamily properties.

New subsection (j)(2) would direct the Secretary to provide rehabilitation loan funds for use in a locally developed homesteading program, only if that program meets the requirements of section 810 (b) of the Housing and Community Development Act of 1974.

New subsection (k) would require that, in conjunction with the annual report which the Secretary must submit on the community development block grant program under section 113(a) of the Housing and Community Development Act of 1974, the Secretary must submit to the Congress a report on the rehabilitation loan program. The report must include a summary of the use of section 312 funds, particularly with regard to the types of neighborhoods and persons aided, and an evaluation of progress made toward community development goals under section 312. As soon as feasible, but not later than December 1, 1979, the Secretary must submit to Congress an interim report evaluating the use of funds under this section for multifamily properties, with legislative recommendations for improving the overall effectiveness of federal assistance for multifamily rehabilitation.

Section 101(d) of the bill would amend section 312(n) to extend the rehabilitation loan program an additional year, through fiscal year

1980.

URBAN HOMESTEADING

Section 102(a) of the bill would amend section 810(b) of the Housing and Community Development Act of 1974 to authorize the Secretary to provide for the homesteading of properties in areas other than those where community services and facilities are being upgraded where such action is requested by the unit of local government.

Section 102(b) would amend section 810(f) of such act to require the Secretary of HUD and the Administrator of the Veterans' Administration to publish a listing of all properties to which they hold title within a jurisdiction upon request by the unit of local government.

Section 102(c) would amend section 810(g) of such act to authorize an appropriation of not to exceed \$26 million for fiscal year 1979 to reimburse the housing loan fund for properties transferred by the Department of HUD under the urban homesteading program.

Section 102(d) would amend section 810 of such act to add: (1) A new subsection (g) authorizing the Secretary to make a grant not exceeding \$60,000 to reimburse a unit of local government for administrative costs incurred in carrying out its urban homestead program; (2) a new subsection (h) authorizing the Secretary to make grants to units of local government to pay mechanics or tax liens on properties included in its urban homesteading program not exceeding \$5,000 per property. A maximum of \$36 million would be authorized for such grants; and (3) a new subsection (i) authorizing the Secretary of HUD to acquire suitable properties from the Administrator of the Veterans' Administration, and to reimburse the Administrator in an amount mutually agreed upon. In addition, section 102(d) would redesignate the present subsection (g) of such act as new subsection (j).

Section 102(e) would amend new subsection (j) of such act to authorize an appropriation not to exceed \$45 million to make grants to localities for local administrative costs and the payment of mechanics and tax liens on properties approved for urban homesteading.

Section 102(f) would amend section 312(d) of the Housing Act of 1964, as amended by section 101 of this bill, to require the Secretary to make available to a locality under the rehabilitation loan program \$8,000 for each property conveyed in connection with an urban homestead program. Funds made available under this subsection would remain available to the locality for 1 year, and could be utilized for other properties eligible for loans under the section 312 loan program.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AMENDMENT D

Section 103(a)(1) of the bill would amend section 104(a)(4)(A) of the Housing and Community Development Act of 1974 to require communities to assess the housing assistance needs of owners of homes requiring rehabilitation assistance, as part of the housing assistance plans to be submitted with an application for community development block grants.

Section 103(a) (2) of the bill would amend section 104(a) (4) (B) (i) of such act to make clear that communities in developing realistic annual goals, as part of their required housing assistance plans, should include the relative proportion of existing dwelling units to be upgraded and thereby preserved, as well as the relative proportion of new, rehabilitated, and existing units presently intended to be assisted under current law.

Section 103(b) of the bill would amend section 105(a) (11) of such act to revise the current provision under which the making of relocation payments is an eligible community development block grant program activity only where the displacement is a result of other activities assisted under that program. Instead, such payments would be permitted when determined by the grantee to be appropriate to its community development program.

URBAN DEVELOPMENT ACTION GRANTS

Section 104 of the bill would amend section 119 of the Housing and Community Development Act of 1974 to provide that applications

for the urban development action grant program include a residential neighborhood impact statement, particularly reflecting the impact on low- and moderate-income residents. It would also provide that the Secretary of Housing and Urban Development shall consider the impact on residents and the residential neighborhood in which the program is to be located, as a selection criterion in awarding urban development action grants.

TITLE II—HOUSING ASSISTANCE PROGRAMS

LOW-INCOME HOUSING

Section 201(a) of the bill would amend section 5(c) of the U.S. Housing Act of 1937 to provide, subject to release in an appropriation act, additional annual contributions contract authority for the public housing and section 8 housing assistance programs in an amount of \$1,675,043,000 on October 1, 1978.

Section 201(b) of the bill would require that at least \$50 million of the annual contributions contract authority provided for fiscal year 1979 be used for modernization of conventional public housing

projects.

Section 201(c) of the bill would strike the second and fourth sentences of section 5(c) of the 1937 act, so that the set-asides provided under these sentences would be deleted as of October 1, 1978. Under existing law, the second sentence of section 5(c) requires that, of the additional annual contributions contract authority provided on October 1, 1976, and approved in appropriation acts, not less than specified amounts must be made available for (1) the modernization of low-income housing projects, and (2) assisting in financing low-income housing projects for ownership by public housing agencies other than under section 8. The fourth sentence of section 5(c) under existing law requires that of the additional annual contributions contract authority provided on October 1, 1977, and approved in appropriation acts, not less than specified amounts must be made available for (1) modernization of low-income housing projects, (2) low-income housing projects permanently financed by loans from State housing finance or State development agencies, and (3) low-income housing projects permanently financed by loans for housing for the elderly or handicapped pursuant to section 202 of the Housing Act of 1959.

By deleting, at the start of fiscal year 1979, the above restrictions on additional funding authorizations for fiscal years 1977 and 1978, the provision would have the effect of removing the restrictions as to any balances of such authority remaining at the start of fiscal

year 1979.

Section 201(d) of the bill would amend section 8 of the 1937 act to authorize the Secretary, for the purpose of upgrading and preserving the Nation's housing stock, to make assistance payments under section 8, notwithstanding any other provision of that section, directly or through public housing agencies pursuant to contracts with owners or prospective owners who agree to upgrade housing, or particular units in a housing project, to make and keep such housing decent, safe, and sanitary and suitable for occupancy by lower income families, through upgrading which involves less than substantial rehabili-

tation, as such upgrading and rehabilitation are defined by the Secretary. The Secretary would be authorized to prescribe such terms and conditions for contracts entered into under section 8 pursuant to this new provision as the Secretary determines to be necessary and appropriate, except that such terms and conditions, to the maximum extent feasible, would be required to be consistent with the terms and conditions otherwise applicable with respect to other dwelling units assisted under section 8.

Section 201(e) of the bill would amend section 9(c) of the 1937 act to provide additional appropriations authorizations of not to exceed \$800,000,000 on or after October 1, 1978, for operating subsidies for

public housing projects pursuant to that act.

Section 202(a) of the bill would amend section 202 of the Housing Act of 1959 by adding a new subsection (h). The new subsection would provide that, of the amounts made available in appropriation acts for loans pursuant to section 202 for housing for the elderly or handicapped for the fiscal year commencing on October 1, 1978, not less than \$50 million shall be available for loans for the development of rental housing and related facilities specifically designed to meet the needs of handicapped (primarily nonelderly) persons. The new subsection also would require the Secretary to take such steps as may be necessary to assure that (1) funds made available under the new subsection will be used to support innovative methods of meeting the needs of handicapped persons by providing a variety of housing options, ranging from small group homes to independent living complexes; and (2) housing and related facilities assisted under the new subsection will provide handicapped persons occupying units within such housing with an assured range of services and the opportunity for optimal independent living and participation in normal daily activities, and will facilitate access by such persons to the community at large and to suitable employment opportunities within such community.

Section 202(b) of the bill would amend section 202(a) (4) (C) of such act to delete the requirement that the aggregate amount of loans made in any one fiscal year not exceed the limits on lending authority

established for such year in appropriations acts.

Section 202(c) of the bill would amend section 202(d)(3) of such act to include expenses for movable furnishings necessary to the basic operation of the project in the definition of "development costs" for housing projects for the elderly and handicapped.

PUBLIC HOUSING SECURITY DEMONSTRATION

Section 203(a) of the bill would provide that this section of the bill may be cited as the "Public Housing Security Demonstration Act of 1978."

Section 203(b) (i) of the bill would set forth congressional findings that low-income and elderly public housing residents are being threatened as a result of inadequate security arrangements to prevent physical violence, theft, burglary, and other crimes; that living in an insecure housing environment has forced these residents to restrict their lives and use of the environment because of concern about crime; that residents are abandoning public housing projects at a time when there is an increasing demand for public housing units; that higher

vacancy rates and heavy financial losses of management in some cases have led to abandonment of public housing projects; that an integral part of successfully providing decent, safe, and sanitary dwellings for low-income persons is to insure that the housing is secure; that local public housing authorities have inadequate security arrangements for the prevention of crime and vandalism and lack specific operating funds to provide security; and that action is needed to provide for the security of these residents and to preserve the Nation's investment in its public housing stock.

Subsection (b)(2) would declare that the policy of the United States is to provide for the demonstration and evaluation of more effective means of mitigating crime and vandalism in public housing projects, and for the development of a comprehensive program to do

SO.

Section 203(c) (1) of the bill would direct the Secretary to initiate promptly a program for the development, demonstration, and evaluation of improved, innovative community anticrime and security methods to reduce crime in public housing projects and their surrounding

neighborhoods.

Section 203(c)(2) of the bill would provide that in selecting projects to receive assistance under this section, the Secretary must consider the extent of crime and vandalism, the nature and quality of community anticrime efforts in the projects and surrounding areas, the nature and quality of police and other protective services to the projects, the vacancy rate and demand for public housing in the locality, and the extent of abandonment of public housing units. Priority must be given to plans submitted by public housing authorities which provide for the restoration of abandoned dwelling units, coordination between public housing management and local government in providing security and social services to the projects and tenants, and maximum opportunity for tenant involvement and employment in the security programs.

Section 203(c) (3) of the bill would provide that the Secretary must make every effort to coordinate and jointly target resources with other agencies in carrying out this demonstration program—particularly the Law Enforcement Assistance Administration, the Department of Health, Education, and Welfare, the Department of Labor, Com-

munity Services Administration, and ACTION.

Section 203(d) of the bill would provide that the community anticrime and security techniques used in this demonstration may include physical security equipment, new concepts for social and environmental design, tenant awareness and volunteer programs, tenant participation and employment, and other measures as deemed necessary

or appropriate by the Secretary.

Section 203(e) of the bill would direct the Secretary to carry out a survey of crime in public housing projects in the Nation, and report to the Congress within 18 months after the date of enactment. The report must include information on the level of crime and vandalism, findings from the demonstration and evaluation of various methods of reducing crime levels, recommendations for a comprehensive program to provide increased security to all public housing projects, and the estimated costs of such program.

Section 203(f) of the bill would authorize a set-aside of \$10 million out of public housing operating subsidies appropriated for fiscal year 1979 for this demonstration.

HOMEOWNERS REHABILITATION ASSISTANCE

Section 204 of the bill would authorize a new section 8 homeowners rehabilitation assistance program. Localities would be required to assess the housing needs of homeowners requiring rehabilitation assistance and submit annual goals for owner-occupied units as part of their housing assistance plans. Of the total amounts authorized for annual contributions contracts, pursuant to section 5(c) of the United States Housing Act of 1937, \$30 million would be earmarked for this program. Contract terms would be limited to a maximum of 15 years.

MOBILE HOMES

Section 205 of the bill would amend section 8 of the U.S. Housing Act of 1937 to authorize rental assistance payments to owners of property on behalf of families which are eligible for section 8 assistance and are owner-occupants of a mobile home located on the

property.

The section would also grant the Secretary authority to enter into annual contributions contracts with public housing agencies or directly with property owners; establish guidelines for determining monthly rents for space; describe a formula for determining monthly assistance; and authorize the Secretary to prescribe terms and conditions for providing assistance.

OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY HOUSING PROJECTS

Section 206 of the bill would establish a new program of operating

subsidies for troubled multifamily housing projects.

Section 206(a) would set forth as the purpose of this section the provision of assistance to restore or maintain the financial soundness, and to maintain the low- to moderate-income character, of certain projects covered or formerly covered by mortgages insured under the National Housing Act.

Section 206(b) would authorize the Secretary to make and to contract to make, in accordance with the provisions of this section, assistance payments to owners of rental or cooperative housing projects

meeting the requirements of this section.

Section 206 (c) would provide that a rental or cooperative housing project shall be initially eligible for assistance under this section only if the project (1) is covered by a mortgage (including a mortgage assigned to the Secretary) insured under the National Housing Act and assisted or approved for assistance under that act's section 236 or section 221(d)(3) BMIR programs, or under the rent supplement program under section 101 of the Housing and Urban Development Act of 1965 or (2) formerly met the criteria specified above and has been acquired and sold by the Secretary, subject to a mortgage insured or held by the Secretary, to a purchaser with whom, at the time of sale,

there is an agreement to maintain the low- to moderate-income character of the project, and (3) meets such other requirements as the Secretary, in the Secretary's discretion, may prescribe. Assistance payments could be made available for projects which are sold by the Secretary on or after the effective date of this provision, only if the Secretary provides at the time of sale that such assistance payments will or may be made available for the project.

Section 206(d) of the bill would require that no assistance payments could be made under this section unless the Secretary determines that (1) such payments are necessary to restore or maintain the economic soundness of the project and to maintain its low- to moderate-income character and (2) the project is being operated and managed in accordance with a management improvement and operat-

ing plan approved by the Secretary.

Section 206(e) would provide that any assistance payments made pursuant to this section with respect to any project shall be made on an annual basis, but payable at such intervals as the Secretary may determine, and may be in any amount which the Secretary, in the Secretary's discretion, determines to be consistent with the purposes of this section. It also would provide, however, that such payments could not exceed the differential, as determined by the Secretary, between the projected income to be received for the project, and the estimated expense of operating the project, during the period for which the payments are made. It would require, for purposes of this section, that "projected income" shall include all anticipated rental and other income and all housing subsidies, as defined by the Secretary, to or on behalf of the project or its residents, taking into account the income levels of the project residents, and shall include interest differentials or any other payments to a mortgagee. "Estimated expense" would reflect such necessary costs as taxes, utilities, maintenance, management, insurance, debt service and repairs, and such other allowances related to the costs of operating the project as the Secretary may approve. Also, "estimated expenses" would be required to be based on an annual operating budget for the project submitted by the owner and approved by the Secretary, taking into account such standards for operating costs in the area as may be determined by the Secretary.

Section 206(f) of the bill would give the Secretary discretion, notwithstanding the provisions of section 236(f)(1) of the National Housing Act, to provide that, for purposes of establishing a rental charge under section 236(f)(1) of that act, there may be excluded from the computation of the cost of operating a project an amount equivalent to the amount of assistance payments available for such

project pursuant to section 201 of this act.

Section 206(g) also would authorize the Secretary to approve adjustments in the annual operating budget and in the amount of assistance payments to the extent that the Secretary determines that such adjustments are necessary to reflect increases or decreases in the actual and necessary expenses of operating the project. It would provide that continuation of any payments beyond the first annual period for which the payments are provided is in the discretion of the Sec-

retary and subject to the requirements of subsection (c) (that is, that the payments be necessary to restore or maintain the economic soundness of the project and its low- and moderate-income character and that the project be operated in accordance with a plan approved by the Secretary) and such other criteria as the Secretary may prescribe.

Section 206(h) would authorize the Secretary to issue rules and regulations, including regulations requiring the establishment of a project reserve or such other safeguards as the Secretary determines to be necessary for the financial soundness of any project for which as-

sistance payments are provided.

Section 206(i) would authorize appropriations for the purpose of making payments under this section of not to exceed \$74 million for the fiscal year 1979, and not to exceed \$96 million for the fiscal year 1980. It would specify that any amounts appropriated shall remain available until expended. This subsection also would provide that, notwithstanding any provision of section 236(g) of the National Housing Act, all rental charges in excess of the basic rental charges which are credited to the reserve fund established pursuant to section 236(g) after September 30, 1977, shall be merged with and in addition to any appropriation under this section 201(f), and all such excess rental charges collected and paid to the Secretary after September 30, 1978 shall be merged with and in addition to any appropriation under this section.

SUPPLEMENTARY RENTAL ASSISTANCE FOR VERY LOW INCOME TENANTS

Section 207 of the bill would require the Secretary to provide supplementary rental assistance for very low income tenants of multifamily housing projects built or rehabilitated under section 221(d)(3) and section 236 of the National Housing Act. Assistance would be provided to those tenants now paying in excess of 25 percent of their income for rent, and would reduce tenants' contributions to rent to 25 percent of income. An authorization of \$75 million is provided for this purpose in fiscal year 1979.

TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS

Section 208 of the bill would provide for tenant participation in multifamily housing projects, including HUD-subsidized projects built or rehabilitated under section 221(d)(3) and section 236 of the National Housing Act, and other HUD-insured projects which serve predominantly low- and moderate-income tenants.

MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY HOUSING PROJECTS

Section 209 of the bill would provide specific goals for the property management and disposition program of HUD. It also sets out requirements of HUD ownership of multifamily housing projects, selection criteria for managers and purchasers of HUD-owned properties, and requirements regarding relocation assistance in the event of displacement of tenants.

SALES TO COOPERATIVES

Section 210 of the bill would amend section 246 of the National Housing Act to provide for the sale of HUD-owned multifamily housing projects to nonprofit cooperatives and nonprofit consumer cooperatives.

HOUSING ACCESS

Section 211 of the bill would require that no section 8 existing certificate holder may be discriminated against by any purchaser of a HUD-owned multifamily housing project.

PROPERTY TAXATION OF MULTIFAMILY PROJECTS

Section 212 of the bill would provide that no State or locality shall include the value of interest reduction payments or subsidy assistance provided under this bill in determining assessed value of a multifamily housing project for property taxation purposes.

TITLE III-PROGRAM EXTENSIONS

EXTENSION OF FEDERAL HOUSING ADMINISTRATION MORTGAGE INSURANCE PROGRAMS

Section 301(a) of the bill would extend for 1 year the authority of the Secretary of Housing and Urban Development to insure mortgages or loans under certain HUD-FHA mortgage or loan insurance programs contained in the National Housing Act. Under existing law, these authorities will expire on September 30, 1978.

Subsection (a) of this section would extend, through September 30, 1979, authority for title I—property improvement and mobile home

loan insurance.

Subsection (b) would extend, through September 30, 1979, the Secretary's authority to provide insurance under the following programs: Section 203—basic home mortgage insurance; section 207—rental housing insurance; section 213—cooperative housing insurance; section 220—rehabilitation and neighborhood conservation housing insurance; section 222—mortgage insurance for servicemen; section 223—miscellaneous housing insurance, including insurance in older, declining urban areas and for existing multifamily housing projects; section 231—housing for the elderly; section 232—nursing homes; section 233—experimental housing; section 234—condominums; section 237—special risk mortgages; section 240—homeowner purchases of fee simple title; section 241—supplemental loans for multifamily housing projects; section 242—hospitals; and section 243—homeownership for middle-income families.

Subsection (c) would amend section 221(f) of such act to extend for 1 year, through September 30, 1979, the program for housing in-

surance for moderate-income and displaced persons.

Subsection (d) would amend section 235(m) of such act to extend for 1 year, through September 30, 1979, the section 235 homeownership program for lower income families.

Subsection (e) would amend section 236(n) to provide a 1-year extension, through September 30, 1979, for the section 236 rental and

cooperative housing program for lower income families.

Subsection (f) would amend section 244(d) of such act to extend for 1 year, through September 30, 1979, the section 244 mortgage coinsurance program, including the current percentage limitations on the aggregate principal amount of mortgages which may be insured under the program.

Subsection (g) would extend, through September 30, 1979, the Secretary's authority under section 245 to insure mortgages and loans with varying rates of amortization related to anticipated variations

in family income.

Subsections (h), (i), (j), and (k) would extend, for 1 year, authorities related to Armed Forces housing, land development, and group practice facilities.

EXTENSION OF FLEXIBLE INTEREST RATE AUTIIORITY

Section 302 of the bill would extend, through September 30, 1979, the Secretary's authority to set interest rates for FHA-insured mortgage loans above the statutory 6-percent maximum to meet the market at rates above the statutory maximum.

EXTENSION OF EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

Section 303 of the bill would extend, from October 1, 1978, to October 1, 1979, the authority of the Government National Mortgage Association to enter into new commitments to purchase mortgages under the interim mortgage purchase authority contained in section 313 of the National Housing Act, as added by the Emergency Home Purchase Assistance Act of 1974.

COMPREHENSIVE PLANNING

Section 304(a) of the bill would amend section 701(e) of the Housing Act of 1954 by authorizing the appropriation of not to exceed \$57 million for fiscal year 1979 for the section 701 comprehensive planning assistance program.

Section 304(b) would amend section 701(c) of such act to require a review by recipients of comprehensive planning assistance of their plans for necessary or desirable amendments at least every 3 years, rather than at least biennially as is required under existing law.

Section 304(c) would amend section 701(d)(2) of such act to require applicants for such assistance to submit to the Secretary at least every 3 years, rather than biennially, a progress report and report on

the status of their comprehensive planning programs.

Section 304(d) would amend section 701(m) of such act to define the term "Indian tribal group or body" as used in section 701 as meaning "any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512)." This definition is the same as the definition of "Indian Tribe" under title I of the Housing and Community Development Act of 1974.

RESEARCH AUTHORIZATIONS

Section 305(a) of the bill would amend section 501 of the Housing and Urban Development Act of 1970 to authorize appropriations of not to exceed \$62 million for fiscal year 1979 for HUD research, study,

and demonstration programs under title V of that act.

Section 305(b) would further amend title V to authorize demonstrations to determine the feasibility of expanding howeownership opportunities in urban areas and encouraging the creation and maintenance of decent, safe, and sanitary housing in such areas through the conversion of multifamily housing properties to condominium or cooperative ownership by individuals and families.

NEW COMMUNITIES

Section 306 of the bill would amend section 720 of the Housing and Urban Development Act of 1970 to extend, from October 1, 1978 to October 1, 1979, the authority of the Secretary to make special planning assistance grants to private new community developers and State land development agencies for planning new community development programs.

EXTENSION OF CRIME INSURANCE AND RIOT REINSURANCE PROGRAMS

Section 307(a) of the bill would amend section 1201 of the National Housing Act to (1) extend, from September 30, 1978, to September 30, 1981, the authority of the Secretary of HUD to provide new Federal crime insurance and riot reinsurance coverages, (2) extend, from September 30, 1981 to September 30, 1984, the Secretary's authority to continue existing reinsurance and direct insurance coverages, and (3) extend, from September 30, 1978 to September 30, 1982, the date on which the Secretary should submit to the Congress a plan for the liquidation and termination of the crime insurance and riot reinsurance programs.

Section 307(b) would amend section 1211 of the National Housing Act to require that at least one-third of the voting members of the governing board of each State FAIR plan be persons not employed by or affiliated with insurers, agents, brokers, or any other entities of the

insurance industry.

EXTENSION OF NATIONAL FLOOD INSURACE PROGRAM

Section 308(a) of the bill would amend section 1319 of the National Flood Insurance Act of 1968 to extend, from September 30, 1978, to September 30, 1980, the period during which the Secretary may enter into new flood insurance contracts under the national flood insurance program.

Section 308(b) would amend section 1336(a) of that act to extend, from September 30, 1978, to September 30, 1980, the Secretary's au-

thority to provide subsidized flood insurance under the "emergency program" in communities which have adopted minimum flood plain management measures and for which the necessary acturial rate and flood hazard elevation studies have not yet been completed.

FLOOD INSURANCE STUDIES

Section 309 of the bill would amend section 1376(c) of the National Flood Insurance Act of 1968 to authorize the appropriation of not to exceed \$114 million for fiscal year 1979 for flood insurance studies and surveys under that act.

FHA INSURANCE FUNDS

Section 310 of the bill would amend section 519 of the National Housing Act to increase th \$1.341 billion limitation on appropriations authorized to cover losses of the general insurance fund by \$165 million on October 1, 1978.

NATIONAL NEIGHBORHOOD POLICY ACT

Section 311 of the bill would amend section 204(c) and section 207 to provide for a 3-month time extension and \$500,000 in additional funding for the National Commission on Neighborhoods.

NATIONAL INSTITUTE OF BUILDING SCIENCES

Section 312 of the bill would amend sction 809(h) of the Housing and Community Development Act of 1974 to extend the authorization for appropriations to the National Institute of Building Sciences through fiscal year 1982.

INCREASE IN GNMA MORTGAGE PURCHASE AUTHORITY AND LIMITS

Section 313(a) of the bill would amend section 302(b) (1) of the National Housing Act to increase the maximum original principal obligation of most mortgages which may be purchased by the Government National Mortgage Association under section 305 of the National Housing Act (special assistance) to \$60,000 for a one-family residence; \$65,000 for a two- or three-family residence; \$75,000 for a four-family residence, and, in the case of property containing more than four dwelling units, to \$38,000 per dwelling unit (\$45,000 in high cost areas) for that part of the property attributable to dwelling use. Under existing law, the maximum original principal obligation on any mortgage purchased by GNMA under section 305 is \$33,000 (\$38,000 in high cost areas) for each family residence or dwelling unit covered by the mortgage, plus an additional \$2,500 for each such residence or unit which has four or more bedrooms.

Section 313(b) of the bill would amend section 305(c) of that Act to increase, by one-half of a billion dollars on October 1, 1978, subject to approval in an appropriation act, the total amount of GNMA purchases and commitments which could be authorized by the President pursuant to section 305 (special assistance functions) of that act.

TITLE IV—CONGREGATE SERVICES

SHORT TITLE

Section 401 would cite the title of the act would be the "Congregate Housing Services Act of 1978."

DECLARATION OF FINDINGS

Section 402 would set forth congressional findings.

Subsection (1) would declare that innovative and comprehensive means are required if frail and handicapped individuals are to be enabled to remain in their own homes. This goal of independent and dignified living is consistent with traditional American principles.

Subsection (2) declares that congregate housing supplemented by supportive services is a proven means for the prevention of unnecessary institutionalization of the elderly. It is also cost effective.

Subsection (3) declares that supportive services which can assist the elderly can also aid handicapped persons residing within assisted

housing projects.

Subsection (4) states that existing statutory language encouraging the Secretary of Housing and Urban Development to develop congregate housing for low-income persons has not resulted in the establishment of a sufficient quantity of such housing. Increasing numbers of elderly public housing residents, as well as younger handicapped individuals, may be institutionalized unnecessarily and prematurely due to the unavailability of this housing option. Deficiencies in the delivery of social services necessary for a successful congregate housing program are primarily responsible for the lack of congregate housing for those with modest incomes.

Subsection (5) declares additional findings that: (a) Congregate housing and supportive services, if they are to be successfully implemented within the context of public housing management, must be melded into an inseparale whole; and (b) secure and continuous funding for a coordinated service package must be made available to public housing managers if the Nation is to respond successfully to the needs of the growing number of frail older Americans, many of whom now

reside in public housing projects.

AUTHORIZATION OF CONTRACT AUTHORITY

Section 403(a) of the bill would authorize the HUD Secretary to enter into contracts with public housing agencies for the establishment of congregate services programs. Services would be provided to handicapped elderly, temporarily disabled, and nonelderly handicapped residents of public housing projects (eligible projects residents). Such services would encourage these persons' continued independent residence. Contracts would be for 3 to 5 years, and would be renewable upon expiration. Funds for each contract would be reserved from the appropriations enacted for the fiscal year in which application approval is obtained.

Subsection (b) would require assisted public housing authorities to maintain any financial effort they were making in furtherance of

congregate-type services prior to notification of contract authority approval. The HUD Secretary may waive this requirement to assure adequate service levels. If contracts entered into by the housing authority for the provision of congregate services contain cost-of-living escalators, then the authority's annual maintenance of effort contribu-

tion would be readjusted accordingly.

Subsection (c) would amend section 7 of the U.S. Housing Act of 1937 to permit the provision of services under the Congregate Act to existing public housing. To be eligible for assistance (1) projects built or under construction prior to January 1, 1979, would be required only to have a central dining facility where meals could be served; (2) projects on which construction begins after that date must have a central dining facility in which meals could be prepared and served.

DEFINITIONS

Section 404(1) of the bill would define the term "elderly" to mean

62 or older.

Subsection (2) would define the term "handicapped" to mean a long-term impairment of indefinite duration which substantially impedes independent living and which more suitable housing conditions can alleviate. An impairment due to aging would be included in this definition, as would be developmental disabilities.

Subsection (3) would define the term "household" to mean one or

more persons residing in a public housing project.

Subsection (4) would define the term "temporarily disabled" to mean an impairment of the type defined under "handicapped," but which is expected to be of less than 6 months' duration and which may result in displacement from a congregate housing project.

Subsection (5) would define the term "congregate services programs" to mean programs undertaken by housing authorities to maintain residents' independence and to prevent unnecessary

institutionalization.

Subsection (6) would define "personal assistance" to mean help with grooming, dressing, and other activities which maintain personal ap-

pearance and hygiene.

Subsection (7) would define "professional assessment committee" to mean a group of at least three persons, one a medical professional, who are competent to appraise the functional abilities and service needs of elderly and/or permanently disabled persons requiring assistance to remain independent. Committee expertise should be appropriate to the makeup of the assisted project(s). The committee's appraisal should determine whether project residents require assistance in at least six listed activities of daily living.

SERVICES

Section 405 of the bill, paragraph (1) of subsection (a) would provide that housing agencies assisted under the act may provide congregate services directly, or contract for them with appropriate agencies or providers.

Paragraph (2) would require the public housing agency to consult with the local Area Agency on Aging to obtain advice on provision of

services, and to receive assistance in identifying available funding

sources other than this act.

Paragraph (3) would require that after the housing agency drafts its application to HUD, it would present that draft to the Area Agency on Aging for review and comment. The housing agency must consider those comments in preparing its final application to HUD. The housing agency would follow this procedure for new and renewed

applications.

Paragraph (4) would require that (a) if nonelderly handicapped persons reside where congregate services would be provided, the housing anthority must consult with the local agency, as designated by State law, which has responsibility for social services for permanently disabled adults. This consultation would be to obtain advice on service provision and to assist in identifying available funding sources other than this act; (b) In this case, after the housing agency would draft its application to HUD for assistance, it would present that draft to this previously identified local agency for areview and comment. The housing agency must consider those comments prior to submitting its final application to HUD. The agency must follow this procedure for new applications.

Paragraph (5) of the subsection would prohibit the use of funds under this act for services already available or already being provided to project residents. This prohibition would apply to Federal, State, local, and private or charitable programs if they would be able to provide, or are providing to project residents, social services which they could afford; which could be easily reached on a daily basis; and

which could be sufficiently available on a long-term basis.

Subsection (b) would require assisted projects to provide a full meal service. Other services eligible for subsidization would be house-keeping, personal assistance, and other services essential for maintaining independent living.

APPLICATION PROCEDURES

Section 406 subsection (a) of the bill would require that with its application for assistance, a housing authority must submit to HUD a plan which specifies proposed services, and their relative priorities, during the contract period requested. This plan, shall include proposed resident fee schedules for services, shall be related to the needs and characteristics of eligible project residents, and must allow for changes in the project's composition during the term of contract authority. Finally, the plan must reflect the opinions of both the residents to be assisted and the professional assessment committee; where a new project would be assisted, consultation with residents as to service needs must constitute part of the interview process prior to occupancy.

Subsection (b) would require each application to certify compliance with review and comment and nonduplication requirements, and that the fee schedule has been established in accord with requirements for consultation with residents reasonableness; maximum cost; and eligi-

bility for subsidy.

Subsection (c) would require each application to have attached any comments made upon draft applications by Area Agencies on Aging

or by appropriate local agencies responsible for services for perma-

nently disabled adults.

Subsection (d) would require each application to contain the names of the members of the professional assessment committee, and their professional qualifications.

PROGRAM REVIEW

Section 407 of the bill would require a public housing authority receiving assistance under the act within the 12-month period prior to the submission of an application for renewed funding, to review the congregate services program with eligible residents and the professional assessment committee. The results of this review would be considered by the housing authority when developing such application and must be submitted to the Secretary, with the renewal application.

EVALUATION BY THE SECRETARY

Section 408 of the bill would require the Secretary, in evaluating proposed service plans, and in determining the relative needs of housing authorities applying for assistance to at least consider these factors: (1) The types of services proposed, their prioritization by the housing authority, and the relationship of these services to the needs and characteristics of eligible project residents; (2) how rapidly the service program could be established; (3) adequacy of social services already available in the project's community for assisting project residents; (4) the qualifications of the professional assessment committee; (5) the reasonableness of fee schedules proposed to be established.

REGULATIONS

Section 409 subsection (a) of the bill would authorize the Secretary

to issue necessary regulations to carry out this act.

Paragraph (1) of this subsection would require standards for the provision of services that would be developed in consultation with the Secretary of HEW and organizations representing the elderly and disabled.

Subparagraph (A) under paragraph (2) would require that there be procedures for the review and evaluation of the performance of

assisted housing authorities.

Subparagraph (B) would require the submission of an annual evaluation of congregate services programs from assisted housing

authorities.

Subparagraph (C) would require the annual publication of a report and evaluation of assisted programs by the Secretary. This report must be made available to Congress and the public, and would be based in part on the annual evaluations submitted to the Secretary by local housing authorities.

Paragraph (3) would require accounting standards, and other safeguards, to prevent inappropriate use of funds made available by this

act.

Subparagraph (A) under paragraph (4) would require appropriate application submission deadlines for each fiscal year. Housing authori-

ties applying for assistance must be notified of approval or rejection by the Secretary within the 90-day period following this deadline.

Subparagraph (B) would require procedures for the reallocation of funds if service programs are not established within the six month period following notification of funding approval.

Subparagraph (C) would require rules to assure that the services would be operating when persons requiring assistance begin occupancy.

Paragraph (5) would require that there be procedures to insure timely payments to assisted housing authorities. These procedures should include a means of providing necessary advance funding.

Paragraph (6) would require procedures to permit the recapture of unused contract authority, the utilization of unexpended reserve funds from the prior fiscal year, and the reallocation of these moneys

to pending applications for congregate services programs.

Paragraph (7) would require a reserve fund by the Secretary, not to exceed 10 percent of the sum appropriated under the act in the fiscal year that the reserve is available for. The fund would be used to supplement grants made to housing authorities when necessary to maintain adequate congregate services to eligible residents.

Paragraph (8) would require procedures to insure that the process used to identify eligible project residents and their service requirements accords project residents fair treatment, due process, a right of appeal, and the confidentiality of their medical and personal records.

Paragraph (9) would require procedures to insure that new members of the professional assessment committee, joining during the

term of contract authority, are professionally competent.

Subsection (b) would provide that up to 1 percent of the funds appropriated under the act in a given fiscal year may be utilized by public housing agencies for preparation of the evaluations required by the act.

ELIGIBILITY FOR SERVICES, FEE SCHEDULES

Section 410 of the bill, subparagraph (A) under paragraph (1) of subsection (a), would provide the professional assessment committee with the responsibility of identifying project residents eligible for subsidized congregate services, and for designating appropriate services for each such resident. The committee membership would be determined by the local housing authority.

Subparagraph (B) would require that assisted housing authorities notify the Secretary of any changes in the membership of the professional assessment committee within 30 days of its occurrence. This notification must include the names and professional qualifications of

any new member.

Paragraph (2) would provide that fees for meal service and other congregate services provided to eligible project residents would be established by the housing authority. The fees required would have to be reasonable, must not exceed a service's cost, and must be calculated on a sliding scale related to income which would permit fully subsidized services for the most needy residents.

Paragraph (1) of subsection (b) would permit elderly and physically disabled project residents who are not eligible for congregate services to partake of congregate meals. The meal service's cost effective-

ness must not be adversely affected by this participation.

Paragraph (2) would require that such persons shall be charged no more than the per capita cost of providing the meal service.

EMPLOYMENT OPPORTUNITIES FOR RESIDENTS

Section 411 of the bill would require that assisted public housing agencies, to the maximum extent practicable, employ elderly and permanently disabled residents of projects operated by the assisted local housing authority, who are not so frail or impaired as to qualify for subsidized assistance under this act. These individuals would be compensated for the provision of congregate services at a specified wage scale. Such employment may not exceed 5 hours per day and 20 hours per week each.

RELATIONSHIP TO OTHER LAWS

Section 412 subsection (a) of the bill would bar service benefits received under the act, with the exception of wages paid under section 511 above, from being treated as income for the purpose of determining eligibility for or benefits from any other State or Federal program.

Subsection (b) would require that individuals receiving assistance under the act are to be regarded as residing within their own households, and not within a public institution, for the purpose of determining benefits under any other State or Federal program.

AUTHORIZATION OF APPROPRIATIONS

Section 413 of the bill would authorize the following sums for carrying out the act: fiscal year 1979—\$20 million; fiscal year 1980—\$25 million; fiscal year 1981—\$35 million; fiscal year 1982—\$40 million; fiscal year 1983—\$45 million.

TITLE V—RURAL HOUSING AMENDMENTS

AUTHORIZATIONS

Section 501(a) of the bill would extend through September 30, 1979, the rehabilitation loan and grant program under section 504 of the Housing Act of 1949 and would provide \$48 million in budget authority for the fiscal year ending September 30, 1979.

Section 501 (b) of the bill would extend through September 30, 1979, the domestic farm labor housing grant program under section 516 of the act and would provide \$38 million in budget authority for the fis-

cal year ending September 30, 1979.

Section 501(c) of the bill would extend the authority of the Secretary of Agriculture to carry on research and study activities under section 506 of the act through September 30, 1979, and would provide \$5 million in budget authority for that program for the fiscal year ending September 30, 1979.

Section 501(d) of the bill would increase the aggregate amount of the principal obligations of loans insured under the domestic farm labor housing loan program provided by section 514 of the act in any

one fiscal year from \$25 million to \$38 million.

Section 501(e) of the bill would extend the Secretary's authority to insure rural rental housing loans under section 515 of the act through September 30, 1979.

Section 501(f) of the bill would extend the Secretary's authority to make and insure section 502 single-family housing loans for low- and

moderate-income families through September 30, 1979.

Section 501(g) of the bill would extend the Secretary's authority to make mutual and self-help housing loans and grants under section 523 of the act through September 30, 1979. In addition, authorizations for appropriations would be increased from \$10 million to \$16.5 million for each fiscal year ending prior to October 1, 1979.

Section 501(h) of the bill would amend section 523(g) of the act to authorize the appropriation of \$3 million for fiscal year 1979 to be added to the self-help fund for mutual and self-help housing site

loans.

STUDY OF MIGRANT HOUSING CONDITIONS

Section 502 of the bill would amend section 506 of the act to add a provision requiring the Secretary to conduct a study of the location, numbers, quality, condition, and cost to occupants, of migrant farm labor housing units and to report and make recommendations for correcting deficiencies within 1 year. The Secretary's report would also be required to address the extent to which existing statutory authority has been utilized and the need for any new authority.

FORECLOSURE

Section 503 of the bill would amend section 510(d) of the act to add a provision requiring that prior notice and consideration of the availability of a moratorium on payments provided by section 505 of the act must be given to the borrower before foreclosure or transfer action against the borrower may be initiated.

APPEALS PROCEDURES

Section 504 of the bill would amend section 510 of the act to add provisions requiring the Secretary of Agriculture to issue rules and regulations providing that applicants who are denied assistance or whose assistance is terminated or reduced shall be given (1) written notice of the reasons for the decision, (2) written notice that a right to appeal an adverse decision is available, (3) an opportunity to appeal to an impartial official having authority to reverse the decision, (4) an opportunity to inspect records and data in the possession of the Secretary pertaining to the appeal, and to have the appeals official make his decision in writing stating the reasons therefore, and (5) an opportunity to have the decision of the appeals official reviewed by the Secretary. In addition, upon successful appeal of a decision to reduce or terminate assistance, the appellant would be entitled to receive all the benefits and assistance withheld as a result of the original adverse decision.

DOMESTIC FARM LABOR HOUSING

Section 505 of the bill would amend section 514 of the act to add a provision authorizing the Secretary, with respect to applications for farm labor housing loans to waive the requirement of section 501(c)

(3) that the applicant be unable to obtain the credit applied for from other sources. In addition, in such cases of waiver, the Secretary would be authorized to set the rate of interest to be paid on the loan at a rate not to exceed the average interest rate on notes or other obligations of the Federal Government having comparable maturities.

SPONSORS PRIORITY

Section 506 of the bill would amend section 516(e) of the act to add a provision prohibiting the Secretary from giving priority for grants to any one of the groups authorized by the section to sponsor low-rent housing projects for domestic farm labor.

HOMEOWNERSHIP ASSISTANCE

Section 507(a) of the bill would amend section 517(j) (4) of the act to conform it to the changes in section 521 of such act which would

be made by this bill.

Section 507(b) of the bill would amend section 521(a) of the act to authorize assistance payments by the Secretary to low-income borrowers under section 502 of the act whom the Secretary determines to be unable to otherwise afford to own a dwelling with a 1-percent mortgage. The amount of assistance could not exceed the difference between the amount determined by the Secretary to be necessary to pay the principal indebtedness, interest, taxes, insurance, utilities, and maintenance and 25 percent of the income of the applicant. This section would further authorize the Secretary to provide for recapture of all or a portion of the assistance provided under this provision, or as interest subsidy, upon disposition of the property by the borrower. In providing for recapture, the Secretary would be authorized to provide for incentives to the borrower for maintaining the property in marketable condition and, in appropriate cases, for a relocation allowance. All assistance so rendered would constitute a debt secured by the lien provided in security instruments given by the borrower to the Secretary, and except for Federal or State laws relating to taxation, the assistance rendered shall not be considered to be income or resources for any purpose including, but not limited to, laws relating to welfare and public assistance programs. In addition, loans provided with interest reduction credits or further assistance payments could only be provided when the Secretary determines that the needs of the applicant for such additional assistance could not be met with assistance from other sources, including section 235 or 236 of the National Housing Act.

RURAL AREA

Section 508 of the bill would amend section 520 of the act to expand the definition of a "rural area" by deleting the requirement that communities having a population between 10,000 and 20,000 must be outside any standard metropolitan statistical area in order to be eligible for assistance from FmHA. Other requirements relating to such communities would remain, and the amendment would apply to applications filed on or after January 1, 1978.

REMOTE TITLE CLAIMS

Section 509 of the bill would require the Secretary of Agriculture to make a detailed study of the problems encountered by rural persons with respect to real property encumbered by remote claims and to consider and develop findings and conclusions with respect to (1) the extent of the problems as they pertain to the lawful rights of such persons; (2) the location and amount of real property affected; (3) the nature, extent and effectiveness of presently available or proposed remedies under State law; (4) the potential impact of the problems and of reasonable remedies deemed necessary to resolve them upon existing Federal, State, and local laws; (5) the extent of potential liability and losses to the Federal Government as a result of remedies considered; and (6) other issues determined to be considered by the Secretary after consultation with the Secretary of HUD. The Secretary would also be required to report to each House of the Congress within 1 year his findings and conclusions, including (1) recommendations for Federal legislation to implement reasonable remedies to the problems and (2) recommendations for similar State and local legislation.

STUDY OF EMERGENCY POTABLE WATER AND SEWAGE PROGRAM

Section 510 of the bill would require the Secretary to conduct a study to determine the approximate number of rural housing units without access to sanitary waste facilities, potable water or both and to prepare a projection of the cost of implementing an emergency program to provide such facilities and potable water supplis for all such housing units over a 2-year period. In addition, the Secretary would be required to report to Congress on the results of the study and projection within 6 months of the enactment of this section.

TITLE VI-NEIGHBORHOOD REINVESTMENT CORPORATION ACT

SHORT TITLE

Section 601 of the bill designates the act as the Neighborhood Reinvestment Corporation Act.

FINDINGS AND PURPOSE

Section 602 of the bill findings and purpose states that Congress recognizes the success of the neighborhood housing services experiment, and that the purpose of the act is to institutionalize the programs of the present Urban Reinvestment Task Force so they may be brought to additional neighborhoods.

ESTABLISHMENT OF A CORPORATION

Section 603 of this bill establishes a National Neighborhood Reinvestment Corporation as a public, nonprofit corporation.

BOARD OF DIRECTORS: ESTABLISHMENT

Section 604 of the bill provides that the Board of Directors of the Corporation shall be composed of the Chairman of the Federal Home

Loan Bank Board, the Secretary of Housing and Urban Development, a Governor of the Federal Reserve Board, the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the National Credit Union Administrator. The Chairman of the Federal Home Loan Bank Board shall be the Chairman of the Board of Directors of the Corporation. Authorizes the Corporation to adopt its own internal rules. Provides that the majority of the Board shall constitute a quorum. Subjects the Corporation to the Freedom of Information Act. Provides for open Board meetings unless closed by majority vote.

OFFICERS AND EMPLOYEES

Section 605 of the bill authorizes the Board to hire an executive director, with compensation not in excess of GS-18 levels, as chief executive officer of the Corporation. Executive Director shall hire and fire staff. No political test may be used in personnel actions. Employees of the Corporation are not employees of the United States, and the Corporation is not a Federal instrumentality.

POWERS AND DUTIES

Section 606 of the bill powers and duties. Corporation is authorized to continue the work of the Urban Reinvestment Task Force in sponsoring neighborhood housing services programs, defined as local partnerships of neighborhood residents, lending institutions, and local government working in a concentrated fashion to upgrade a garget neighborhood and to sponsor and replicate other experimental neighborhood preservation projects. Corporation is also authorized to continue development of Neighborhood Housing Services of America, as a secondary market operation. Corporation is made responsible for assuring compliance by its local grantees with substantive provisions of applicable law. Nothing herein exempts Corporation itself from compliance with applicable laws. Corporation is also authorized to contract with the Office of Neighborhood Reinvestment of the Federal Home Loan Bank Board for personnel and staff support. Corporation is given usual corporate powers, including power to sue and be sued, hold property, invest funds, and other powers necessary to carry out the act. Office of Management and Budget is authorized to review and modify the Corporation's budget request.

REPORTS AND AUDITS

Section 607 of the bill requires the Corporation to publish an annual report, to arrange for an annual audit, to audit grantees and contractors, and to cooperate with the General Accounting Office.

AUTHORIZATION

Section 608 of the bill there is authorized \$15 million for fiscal year 1979, \$20 million for fiscal year 1980, and \$30 million for fiscal year 1981. Corporation is authorized to accept non-Federal funds, which must be reported and accounted for separately. Funds appropriated are available until expended.

TITLE VII MISCELLANEOUS

TITLE 1 MULTIFAMILY LOAN LIMITS

Section 701 of the bill would increase the loan ceilings for multifamily property improvement loans insured under title I of the National Housing Act to a maximum of \$37,500, with an average ceiling of \$7,500 per unit. The repayment period would also be extended to 15 years and 32 days.

MULTIFAMILY MORTGAGE INSURANCE

Section 702(a) of the bill would amend section 207(c) of the National Housing Act by reducing, from 8 to 5, the minimum number of family units which must be included in a property covered by a

project mortgage insured under section 207.

Section 702(b) of the bill would amend section 241(d) of that act to authorize the Secretary of HUD to bid, in the foreclosure sale of a property covered by a senior non-FHA-iusured mortgage or loan with respect to which the Secretary has made a supplemental loan under section 241, an amount up to but not in excess of the total unpaid indebtedness secured by such senior mortgage plus taxes, insurance, foreclosure costs, fees, and other expenses. If the Secretary acquires title to or is assigned a loan covering a project subject to a non-FHA-insured mortgage, the Secretary would be authorized to make payments from the General Insurance Fund and to take such other step as may be deemed appropriate to preserve or protect the Secretary's interest in the property.

MORTGAGE INSURANCE FOR NONRESIDENT CARE FACILITIES

Section 703 of the bill would amend section 232 of the National Housing Act to provide that nursing homes or intermediate care facilities covered by mortgages insured under that section may include such additional facilities as may be authorized by the Secretary for the nonresident care of senior citizens and others who are able to live independently but who require care during the day.

CONDOMINIUM MORTGAGE INSURANCE

Section 704(a) of the bill would amend section 234(c) of the National Housing Act to anthorize the Secretary of HUD to insure one-family condominium units in non-FHA-insured multifamily projects containing 12 or more units if construction of the project was completed more than 1 year prior to the application for mortgage insurance. Under existing law, FHA mortgage insurance is available for single-family condominium units in non-FHA-insured multifamily projects only where the project involves 11 or less units.

Section 704(b) of the bill would amend section 234(c) of the National Housing Act to permit the Secretary, in the case of a veteran, to insure up to 100 percent of the first \$25,000 of appraised value of a condominium unit covered by a mortgage insured under that section.

Existing law authorizes insurance under section 234 of mortgages involving a principal obligation of 97 percent of the first \$25,000 of appraised value, whether or not the mortgagor is a veteran.

PURCHASE OF FEE SIMPLE TITLE

Section 705 of the bill would amend section 240(c)(2) of the National Housing Act to increase the maximum amount of a loan insurable under that section in the case of property located in Hawaii. Section 240 authorizes the Secretary to insure loans for purchase of fee simple title from lessors by homeowners leasing under a long-term ground lease, and presently requires that a loan eligible for insurance under that section shall not exceed the cost of purchasing fee simple title or \$10,000-per-family unit, whichever is the lesser. The amendment would increase the \$10,000-per-family unit limit under existing law to \$30,000 in the case of properties located in Hawaii.

HUD DAY CARE FACILITIES

Section 706 of the bill would amend section 7(n) of the Department of Housing and Urban Development Act to authorize the Secretary to establish, equip, and operate a day care facility or facilities or to assist in establishing, equipping, and operating interagency day care facilities for children of HUD employees. The Secretary would be authorized to establish appropriate fees for day care services. In addition, limited startup costs may be provided by the Secretary on a reimbursable basis, limited to 3 percent of the first year's operating budget, but not to exceed \$3,500.

SALE OF SURPLUS FEDERAL LAND FOR HOUSING

Section 707 of the bill would amend section 414(a) of the Housing and Urban Development Act of 1969 to authorize the transfer of Federal surplus real property to the Secretary of HUD for sale or lease by the Secretary at its fair value for use in the provision of housing to be occupied predominantly by families or individuals of low and moderate income, assisted or to be assisted under a Federal housing assistance program administered by the Secretary, or under a State or local program having the same general purpose, and for related public, commercial, or industrial facilities approved by the Secretary.

Under existing law, Federal surplus real property may be transferred to the Secretary only for use in connection with a low-rent housing project assisted under the U.S. Housing Act of 1937 (or an equivalent State or local program), or housing assisted by rent supplement payments under section 101 of the Housing and Urban Development Act of 1965, below market interest rates under the proviso of section 221(d) (5) of the National Housing Act, or interest reduction payments under section 225 or 226 of the National Housing Act, or interest reduction payments under section 225 or 226 of the National Housing Act, or interest reduction payments under section 225 or 226 of the National Housing Act, or interest reduction payments under section 225 or 226 of the National Housing Act, or interest reduction payments under section 225 or 226 of the National Housing Act and Housing Act and Housing Act are also as a section 225 or 226 of the National Housing Act and Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 or 226 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225 of the National Housing Act are also as a section 225

ments under section 235 or 236 of the National Housing Act.

The section also would allow such dispositions over local objections where the Secretary determined (1) that the proposed disposition would be consistent with any approved housing assistance and community development plans developed by such body pursuant to the Housing and Community Development Act of 1974, or (2) in cases

where such plans are not available, that there is a need for low- and moderate-income housing, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve any housing proposed in conjunction with the proposed disposition.

The section also would require that, in the case of disposition of surplus property to an entity other than a public body, the Secretary obtain assurances that the property transferred will be used, to the maximum practicable extent, for providing low- and moderate-income housing and related facilities for a period of not less than 30 years.

The section also would delete requirements for notification to the Congress of all dispositions, and for approvals of all changes in the

use of any property disposed of under the section.

REPORT ON MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

Section 708(a) of the bill would amend section 626(a) of the National Mobile Home Construction and Safety Standards Act of 1974 to require a report to be submitted to the Congress on the mobile home safety standards program on July 1 of every other year beginning with calendar year 1978 rather than on March 1 of each year.

AMENDMENT OF THE HOMEOWNERS LOAN ACT OF 1933

Section 709 of the bill would amend section 5(c) of the Homeowners Loan Act of 1933 to authorize Federal savings and loan associations to invest, without regard to any other statutory limitations on their investment powers, up to 5 percent of their assets in real property located in areas in which physical development activities assisted under HUD's community development block grant program are being carried out in a concentrated manner. Under existing law, such an exemption from otherwise applicable limitations applies only in connection with designated urban renewal areas.

STATEMENT OF POLICY AND STUDY ON HOUSING DISPLACEMENT

Section 710 of the bill would set forth a statement of policy concerning the involuntary displacement of families from their homes. The statement would declare that the Federal Government, in administering its housing and community development programs, should take the utmost care to minimize the displacement of persons from

their homes and neighborhoods.

The section would direct the Secretary of HUD to conduct a study of the nature and extent of the displacement problem, and to report to Congress by January 31, 1979, with recommendations that will contribute to the development of a national policy for resolving the problem. These recommendations would be directed both to minimizing displacement directly caused by the Department's programs, and to alleviating problems caused by displacement resulting from residential and commercial developments which are both privately and publicly financed. In preparing the report, the Secretary would be expected to consult with concerned public interest, industry, and governmental representatives. The committee also expects that the report

would include data concerning the scope of the problem today and in the future; requirements for additional data and methods for obtaining it; and a full description of the Department's policies and programs for dealing with the program of involuntary displacement.

REHABILITATION GUIDELINES

Section 711 of the bill would amend title V of the Housing and Urban Development Act of 1970 to direct the Secretary of HUD to develop rehabilitation guidelines for voluntary adoption by States and localities, and to provide technical assistance to facilitate their implementation. The Secretary would be required to publish proposed guidelines within one year and promulgate them within 18 months following enactment of this section. A report to the Congress concerning the utilization of the guidelines, together with recommendations for further action, would be required within 36 months following enactment.

DEPARTMENTAL REORGANIZATION

Section 712 of the bill would provide that none of the funds available to the Department of Housing and Urban Development may be obligated or expended during the fiscal year ending October 1, 1978, or October 1, 1979, for the reorganization of any area, field, or insuring office, which relates to multifamily housing or community planning and development, or related technical services.

ALASKA HOUSING

Section 713 of the bill would amend section 1004 of the Demonstration Cities and Metropolitan Development Act of 1966 to require that the Department of Housing and Urban Development make loans and grants, on the basis of need, to regional Alaska Native housing authorities for certain planning, administrative, and other expenses in conjunction with the provision of housing and related facilities for Alaska residents.

Section 713 would also delete the present requirement of section 1004(b) of such act that grants be limited to 75 percent of the aggregate cost of the housing and related facilities to be constructed.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Section 714(a) (1) of the bill would amend section 305 of the Federal Home Loan Mortgage Corporation Act to broaden the types of institutions which are eligible to sell mortgage loans to the corporation, by adding mortgages approved by the Secretary of HUD for participation in any mortgage insurance program under the National Housing Act.

Section 714(a) (2) would amend the same provision to authorize the corporation to establish requirements and impose fees for different classes of loan sellers or services, and to classify sellers or services according to various criteria. FHLMC would be authorized to specify, among other things, minimum net worth, supervisory mechanisms, warranty compensation mechanisms, prior approval of facilities, prior origination and servicing experience, capital contributions and substitutes, mortgage purchase volume limits, and reduction of mortgage purchases during periods of borrowing. The provision would make it clear that FHLMC would not be required to tailor programs to any type of seller with respect to rules for prior approval of mortgages, optional mortgage delivery, or purchase of FHA and CA loans. The section would provide that differential treatment of different types of sellers by the corporation will not be considered evidence of discrimination, but requires that all such differentiation bear a rational relationship to the purpose of the act, and that FHLMC must make reasonable efforts to encourage participation in its programs by each type of eligible seller.

Section 714(b) would provide that the foregoing provisions would take effect January 31, 1979, or 210 calendar days after enactment of the bill, whichever is the later, unless the Federal Home Loan

Mortgage Corporation prescribes an earlier date.

INTERSTATE LAND SALES FULL

Section 715 of the bill would amend the Interstate Land Sales Full Disclosure Act to provide new definitions, add certain exemptions and require new procedures for rulemaking and adjudication under that act.

Section 715(a) of the bill would add the definition of "sale or lease" to section 1402 of the act. A "sale or lease" would be defined to be a legally binding agreement entered into to buy or lease a lot. The date of such sale or lease would be the time when a contractual relationship is entered into between the developer and the purchaser or leesee. There is presently no definition in the act of the term "sale or lease".

Section 715(b)(1) of the bill would amend section 1403(a)(3) of the act to provide an exemption for the sale or lease of any improved land on which there is a condominium or on which a condominium is to be built within 2 years. Section 1403(a)(3) presently provides an exemption for land on which there is, or will be built within 2 years, a residential, commercial, or industrial building. Present HUD regulations do not provide an exemptions for condominiums.

Section 715(b) (2) of the bill would exclude U.S. land patents and similar Federal grants or reservations from the definition of "liens,

encumbrances, and adverse claims."

Section 715(b)(3) of the bill would make a clarification in the act to exempt real estate which is restricted for commercial or industrial purposes by a declaration of covenants, conditions, and restrictions which have been recorded in the official records of the county where this real estate is located. The present exemption for real estate that is zoned for commercial or industrial purposes is retained.

Section 715(c) of the bill would add a new exemption to the act to exempt sales operations which are intrastate or almost intrastate in nature. Under this exemption, a sales operation would be considered to be intrastate or almost intrastate in nature if not more than 5 percent of the lots sold or five lots sold, whichever is greater, in a calendar year were sold to residents of another State. Sales under this exemption must meet the following conditions: (a) The lot must be free and clear of all liens, encumbrances, and adverse claims; (b) the

purchaser and/or spouse must make a personal on-site inspection of the lot; and (c) the developer must supply the purchaser with a written instrument designating a person within the purchaser's State

of residence as the developer's agent of process.

For the purpose of this exemption, the terms "liens," "encumbrances," and "adverse claims" would not refer to U.S. land patents, property reservations, commonly conveyed or dedicated to local bodies or public utilities, taxes and assessments imposed by a State or public body having authority to assess and tax property or to beneficial property restrictions, provided: (a) The developer, prior to entering into a contract, provides the purchaser with a descriptive and concise statement setting forth all such reservations, taxes, and assessments which apply to the lot being purchased or leased; and (b) receipt of this statement has been acknowledged in writing by the purchaser or lessee.

Section 715(c) would also add a new exemption to the act to exempt the sale or lease of real estate by a developer to a resident of another State when the principal residence of the purchaser is within a radius of 100 miles from the property purchased. In meeting this exemption, the following conditions must be met: (a) The lot must be free and clear of all liens, encumbrances, and adverse claims; (b) the purchaser and/or spouse must make an on-site inspection of the lot; (c) the developer must supply the purchaser with a written instrument designating a person within the purchaser's State of residence as the developer's agent of process; and (d) the developer must execute a written affirmaion to the effect that these three requirements have been complied with on a form promulgated by the Secretary setting forth the name and address of the developer, legal description of the subdivision, the affirmation and the developer's legal signature. In addition, this section would require that (a) the developer, prior to entering into a contract, provide the purchaser with a descriptive and concise statement setting forth any reservations, taxes and assessments which apply to the lot being purchased or leased; and (b) receipt of this statement must be acknowledged in writing by the purchaser or lessee.

Section 715(d) of the bill would add new requirements directing the Secretary to conduct rulemaking and adjudication in accordance with the Administrative Procedures Act and to require the Secretary to provide a written notice of reasons in any action taken against an individual.

CORDON RULE

In the opinion of the committee, it is necessary to dispense with the requirements of subsection 4 of Rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with the report.

ADDITIONAL VIEWS OF SENATORS PROXMIRE, MCINTYRE, MORGAN, AND GARN

FUNDING LEVELS

We feel a responsibility to report our disappointment that the bill reported by the committee proposes Federal spending well above

the amount proposed by the administration.

The committee bill anthorizes annual appropriations of \$913 million above the amount requested by the administration for fiscal year 1979—an increase of 33%, Moreover, because housing assistance payments continue for as long as 40 years, the impact on total budget anthority is far greater. We estimate that the bill provides for budget authority that is at least \$11.5 billion in excess of the first budget resolution. Almost all of the spending increases were approved by a narrow 1- or 2-vote margin in committee.

The President's budget for housing programs included spending authority of an estimated \$2.6 billion for HUD programs and \$200 million for Farmers Home Administration programs in fiscal year

1979.

While we do not consider all of the administration's proposals necessary or sound, we think the administration proposed a realistic

budget for housing programs in fiscal year 1979.

The level of spending proposed for the Department of Housing and Urban Development and the Farmers Home Administration is an appropriate level, in light of the overall budget the administration has proposed. While the evidence is clear that our needs for decent housing, livable neighborhoods, and viable cities are great, and of high priority, the fact of a projected budget deficit of some \$60 billion requires that we act prudently.

We are concerned that the Housing and Community Development Amendments of 1978, as reported by the Committee on Banking,

Housing, and Urban Affairs, is not prudent.

In a year when the President has asked everyone to tighten his belt a little, the committee approved sizable increases over the administration request. These include:

-\$75 million for a new rent supplement program for tenants in

financially distressed housing projects;

-\$480 million for annual assistance payments under the section 8 and public housing programs on top of the \$1.195 billion requested by the administration. (The increase in total budget authority would exceed \$11 billion);

-\$125 million more for the section 312 rehabilitation loan program on top of the \$245 million requested by the administration. (The administration request was a fourfold increase over the 1978 level);

projects on top of the \$729 million requested by the administration;
—\$51 million in increased payments under the urban homestead programs;

—\$20 million to establish a new congregate housing program.

When all of these spending recommendations are added to the

administration's request, the result is a budget buster.

All of the economic experts agree that our No. 1 problem today is inflation. If we permit inflation to continue to accelerate—and the most recent wholesale price index suggests that it may—interest rates will climb. Once that happens, homebuying and homebuilding will decline, leaving housing needs unmet. And when the housing industry slumps, we can expect other industries to be affected similarly.

We believe the substance of the Housing and Community Development Amendments of 1978, the bill reported by the Committee on Banking, Housing, and Urban Affairs, is needed legislation. But, as we have indicated above, we believe its substance is flawed by recommenda-

tions for excessive spending.

WILLIAM PROXMIRE. TOM McIntyre. Robert Morgan. Jake Garn.

ADDITIONAL VIEWS OF SENATORS TOWER, GARN, AND SCHMITT

We support this legislation. It would allow for a continuation and, in some cases, an expansion in many fine housing and community development programs. These programs are important to the Federal Government's commitment to improve living conditions in the Nation's urban and rural areas, and they should be continued in the future.

Unfortunately, the committee did not take the opportunity to expand the urban development action grant (UDAG) program to include cities and counties which have areas that are severely distressed. The present UDAG program is confined to entire cities and urban counties that meet the requirements of "severe distress" set by the Secretary of HUD. Because the program is confined to entire cities and urban counties, there are many cities and urban counties that are not eligible to participate in it even though they may contain areas that meet those

severely distressed criteria.

Houston is a good example of a city that is ineligible to participate in this program, in spite of the large number of residents that live in an area of the city that is considered to be severely distressed. Within Houston's downtown area, there is a distressed area of some 70 square miles that meets six out of the seven current urban development action grant requirements. This area includes almost 400,000 people in 44 census tracts, representing 25 percent of the city's population. The per capita income within this area has not increased over \$1,424 per year from 1969-74. The population decline in the inner city from 1960-75 was 3 percent. The unemployment rate in this area is 8.3 percent, and job decline from 1964-75 shows a zero change. As far as unique distress is concerned, 44 census tracts out of Houston's 86 census tracts meet the requirements under the UDAG program. Yet, it cannot qualify for the program because that program is confined to entire cities and nrban areas. Nor can many other cities and urban counties throughout the Nation participate in the program for this same reason.

The UDAG program as it now stands is completely inconsistent with the President's proposed national urban policy. The President made it quite clear in his proposal that "even healthy cities have distressed areas that need attention." He went on to say that "we should help our growing cities, small and large, deal with the problems

of growth and poverty concentrations."

A large number of cities, including Houston, San Jose, Phoenix, Lincoln, and others, have trouble responding to the pressures of growth while also meeting the needs of their poorer residents. The extent to which other cities and urban counties may be excluded from this program because of the way this program is structured is uncertain since many cities have not made application for funding. For that reason, we intend to offer an amendment to this bill when it reaches the Senate floor that would allow cities and urban counties with severely distressed areas to be eligible under the UDAG program.

John Tower. Jake Garn. Harrison Schmitt,









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